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THE NEW INTERNATIONALISM

THE NEW INTERNATIONALISM

BY

HAROLD BOLCE

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NEW YORK MCMVII

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DEC 9 1931
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Published February, 1907

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THE NEW INTERNATIONALISM

CHAPTER I

THE ARCADY OF MAMMON

THE New Internationalism, rapidly welding the world into an economic unit, is not utopian. It is nothing less than a financial and commercial amalgamation of the nations. There is nothing anæmic in the programme, nor is there anything altruistic. The men who are inaugurating it are not poets. They carry their favorite book in an inside pocket, and the quotations with which they are most familiar trip through the ticker. Plato to most of them would be of far less consequence than a company's prospectus.

The irreverent might say that it was a mistake of old to drive the money changers from the temple, for we have been compelled to take up collections ever since. Now, the men who we have been taught to believe stood between the idealist and the world's material redemption are hasten-

ing a peace more sure and a prosperity far more abundant than anything sung by poets or forecast by political optimists. Markham lamented that a sordid world had shut out glimpses of the swing of Pleiades. Not so with the new movement. It makes use of that constellation in calculating the course of international cargoes.

The New Internationalism is coming quietly, like the Kingdom of Heaven; but there the similarity ends.

In former international movements we have had the right men in the wrong place. Academic economists have attempted to instruct the great traffic managers how to schedule the world's freight. Consuls lost or strayed have blazed trails in the wrong forest. There is something grotesque about this spectacle of theorists struggling along on a salary and issuing voluminous instructions on how to succeed in business, to American industrial millionaires employing operatives by thousands, and, to supply insistent demand, turning out products in such prodigal quantities that the most resourceful railways in the world cannot send freight trains fast enough to haul the goods away.

Now the world's greatest economic innovation is in the hands of men who "pin continents together." One of its leaders, Mr. James J. Hill, has conquered more territory with a coupling pin than Cæsar did with a sword. This new master of money and domain, realizing that business knows no boundaries—that the world, commercially and financially, is ready for unification—has merged European gold with American genius and Oriental opportunity, and thereby transformed the industrial life of half a continent and multiplied the profits and dividends of three.

These leaders, so long as they can control the pockets of mankind, are indifferent as to who writes its economic pamphlets. These men are generals who, with mighty armies to do their bidding, have laid no cities waste, but, on the contrary, have made the waste places bloom. They have no captives in their train, but they can look behind them upon a world-wide procession of cities and farms and factories, quickened into new life within the past few years by the touch of reciprocal trade and international investment.

These men, not only in America but in many lands, are building strong for prosperity on cos-

mopolitan foundations. True, their international ventures are yielding vast returns. That is the secret of the inevitable triumph of the new economic era. The important thing is that the new finance, the new commerce, the new spirit in the operation of continental railways and ocean fleets, are all a pledge to peace and to the promotion of the selling and purchasing power of the whole world.

I have been told this year in several cities of Europe that the New Internationalism in finance paved the way to the Peace of Portsmouth. Within the past year or two the new gospel of trade has rewritten the foreign policy of eight leading nations of the Old World.

It will be obvious, when I treat of these topics in their appointed chapters, that I have not gone to the political reformers for my facts or to the political economists for my conclusions. No eminent economist agrees unreservedly with any other. Mr. Vincent, of Chicago University, has called attention to the almost unbelievable fact that Benjamin Kidd could write a world's review of sociology for the "Encyclopedia Britannica" without mentioning Professor Giddings; and

that, on the other hand, Professor Giddings could prepare a similar retrospect of the same subject for Johnson's "Encyclopedia," and make no reference whatever to Benjamin Kidd.

When economists of this stamp fail to recognize the slightest claim to attention in the life labors of their most conspicuous colleague, it is not strange that the politicians who master political economy for a campaign fall out and fight over questions affecting the welfare of mankind.

Confucius was asked by his disciples to put into one sentence, if possible, the philosophy of life and progress. He replied that it was all contained in one word, "Reciprocity." He meant more than Chicago and Boston mean by that term, and so, too, does the New Internationalism.

Before we laugh at the Chinese sage, it will arrest our merriment if we attempt in casting over the names of the buried or living great of Europe and America to find one worthy to rank with the celebrated philosopher of Shantung. In fact, Europe has consumed many Christian centuries in commercial reprisals, bloodshed, and panic before arriving at the point reached by the Mon-

golian seer in antiquity. In America, we have not overtaken the illustrious Chinaman yet.

We are still doing in the United States what the Medes and Persians did. They were the original stand-patters. It was their ancient boast that their laws did not change; and over their buried glory history has chiseled their proud phrase as their abiding epitaph. To stand pat is to stand still.

There was a time when a city could wall itself in, lock the gate, and go to sleep. But when Christian genius fused with gunpowder, the walls fell down and the world woke up. Nearly two hundred tariff walls have for a time accomplished what the barriers of the ancients did. But, as I shall show, the force let loose by the New Internationalism is battering down these walls no less effectively than civilized artillery made a mockery of the mud and masonry of the pagan.

Our tariff has been the great American religion, if the customs inquisition is not its most hallowed sacrament. Yet there should be nothing *sacrosanct* about a tariff. It would be as sane to worship a directory, a trade catalogue, or any printed list or programme.

It was Josh Billings who said that there were four hundred dogs in his town, but two hundred could do the business. In a crisis of this kind the poundmaster may become a public benefactor, and the virtues of his high and prohibitive wall no man questions. But suppose Argonauts, rushing toward the Arctic, open a new Golconda at the end of the world, and their agents hunt the continents for dogs to haul sleds through the polar regions—then the poundmaster, if he continues to cut the throat of competition, becomes an enemy of progress. Protection as well as dogs can run mad!

We have been for several fat years of domestic prosperity so indifferent to the economic transformation of the rest of the earth that we are hardly prepared for the revelation or for the readjustments which we must surely make lest we fall behind. I shall endeavor to make clear that what we have been regarding as an American commercial invasion abroad is a mere skirmish success; and that of our actual manufactures we sell less than a cent's worth a week per capita to the people of prosperous Europe.

But I shall show also how, even if America did

not need foreign markets, we are dependent upon the financial stability of other nations.

The first step in the way of real economic advance is to come to a conviction of the sin of trying to remain stationary. To stay put, to stand pat, and to stick in the mud may all be the result of similar inertia.

Sometimes a man may get ahead by standing still for a time, as, for example, when he is on a moving stairway. But the basket of fish at his feet will travel just as fast. On the ascending stair, no less than on the rigid steps, the man that climbs gets to the summit first. So it is with the nations. The forward impulse of the big powers is carrying passive states ahead. The record of this is a startling economic fact; but the countries that actually initiate progress, as have Germany, Japan, and England, travel most rapidly in the competitive fields abroad.

And if a nation could permanently reject reciprocal opportunities it would fall far behind.

Within our own time the Boer Government has given a proof of this. The Boers resisted railways because they wanted no communication with that part of the world beyond their tariff

wall, also for the reason that locomotives are not mentioned in the Bible. They banished the American lightning-rod agent because they said that if Heaven wanted to send fire to consume man, it was impious for even an American to attempt to arrest that Wrath. They made one law for the Boer and another for the Alien, and so the Alien now makes laws for both. It is the story again of the Medes and Persians. The laws of the Transvaal did not change.

What our own statesmen in general have not learned is that an economic truth to-day may be a fallacy to-morrow. For example, before steam carried merchandise to the coast, vessels tacked as far up stream as possible, and on river banks at the head of navigation there was always likelihood of cities and busy piers. Thus, John Adams predicted that Alexandria, Va., would be one of the leading shipping centers of the world. To-day, river steamers on the way to Mount Vernon stop at Alexandria if they're flagged! Because of that same economic presumption of probable values, George Washington, the best business man of his day and even then a millionaire, bought up wharf lots at Georgetown on the Po-

tomac. To-day they are not worth as much as the First President paid for them.

It was an economic truth, when the foundations of our White House, our State, War and Navy Building, and our Treasury were laid at Washington, that a navigable stream was the best highway through a city or a state, and so these fine structures were built to face the Potomac. To-day, American civilization enters the White House by the back door and the other two buildings by a side entrance. Only a stray photographer ever gets around to the real imposing front. Such stress was laid upon water courses, which, from the beginning of history, had afforded man his best means of communication, that arguments, then unanswerable, were offered to Congress in behalf of the Chesapeake and Ohio Canal, to the effect that this ditch, designed and still used for mules and mudscows, would afford the speediest method of conveying the decrees of the United States Government to the people beyond the Alleghanies. There is no virtue, *per se*, in sticking to an old truth.

When we fancy that a high and unchanging tariff is a forbidding barrier and a sure safeguard

of the nation behind it, it may be well to recall that at one time the biggest man in battle was the best. A Thracian giant, a sheepherder, became such a hero because of his burly strength in battle, that they called him Maximus and made him Emperor of Rome! The half-foolish father of Frederick the Great surrounded himself with Bavarian giants, but at a later day the whole German Confederation was annexed by a conqueror not much bigger than a boy.

Napoleon in turn made the mistake of using the census as the estimate of a people's strength. He counted the inhabitants of the French Empire and saw how his millions outnumbered those in the nation of shopkeepers across the Channel, but he did not dream that coal and cotton machinery were so to multiply the hands of the British that that branch of the Anglo-Saxon race would reach out and seize the best parts of the world.

I will set forth in this volume proofs that the New Internationalism has already begun changes no less revolutionary than those which have been caused by steam and coal and machinery in turn.

The recent battle in Manchuria between the

Russians and the Japanese symbolizes in a sense the new power in the world; not that the new economic programme deals with implements of war, but that its most effective operations are unseen. Thousands in that neutral Chinese province were slain without getting a glimpse of the foe. The red artillery flashes farther to-day than when the Frank first grappled with the fiery Hun. In these sanguinary Asiatic campaigns, topographic maps to guide the sighting and the mathematical precision of shooting from a distance did the deadly work. The powder was smokeless. The shouting was reduced to a minimum. A Japanese army of half a million men, stretched along a line of fifty miles, was closely connected by the flying telephone, and commanded as a unit. The whole contest which led to abiding victory was managed in virtual silence.

To this extent, that the New Internationalism moves mysteriously and does not advertise, and that its coups are intercontinental in scope, is it similar to the operations of the Battle of Mukden.

It is a truism that change is the eternal law of progress. Formerly every man wore a helmet in

war; now four hundred get under one, expanded into the armor sheathing of a battleship. Everything tends toward concentration of power. The old-time helmets are now exhibited as curiosities in museums. If that giant shepherd were alive in Thrace to-day, he would soon be traveling with a circus. The mediæval heroes who strode about under their comic headpieces were confident that they had thought out the most perfect system of protection. They wore it not for revenue—purely for defense. So, too, no doubt, the people of Rome fancied that in putting on the throne a physical giant they had given a new security to the State.

Just as every age has its own idea of protection, so has each succeeding period a new law of progress. The proglodyte knocked his sweetheart down to compel her devotion; his modern survival waits till after marriage. Progress is certain, but in some things slow. One of the largest departments of the United States Government, whose chief, by the way, is unalterably opposed to any change in our tariff defiance of the nations, still uses the same single-entry bookkeeping installed by Alexander Hamilton. And not until

July, 1906, did the Government change the statistical classification of exports adopted thirty-six years ago, and fantastically unadapted to the new commodities forming the bulk of commerce during the past two decades.

The tariff of a nation is not the only thing that has been the object of fantastic worship. Once mankind canonized the ass, and litanies were chanted in his honor!

Just where wisdom ends and foolishness begins is difficult at times to decide. Some of our American leaders are willing to change the tariff, but they want the change to be an addition of twenty per cent to the present schedule of trade taxation, this increase to be waived in our dealing with nations that do not erect against us a high wall of discrimination.

In the youth of this Republic, the tariff, with its more than eight hundred clauses against the free intrusion of dutiable goods, was a stimulus to native virility in invention and manufacturing. The farm fed the factory, and the factory began to clothe the world. Competition kept out gave freedom to home development. But now prosperity has piled up so high that it is running over into

the sea. The tariff wall can no longer contain this continent.

It is the part of wisdom, therefore, to build trade gates and get them down toward the level of international traffic.

CHAPTER II

THE INTERNATIONAL ADVANCE

A GRAPHIC illustration of the simultaneous progress of nations and their interrelation of interests was presented in the autumn of last year (1906) when the official representatives of thirty-two of the leading powers of three continents met in Europe to come to some arrangement, if possible, in the universal exchange of wireless messages. It was formerly true that whatever a man invented or discovered was his, but here is Genius filing a caveat on the cosmos. It has established a patent on the forces of the empyrean, and has sold the exclusive right to two powers of the Old World to use the uncharted void as a highway for the transmission of thought. Russia, in the war in the Far East, complained to the nations against the flashing of battle news from Marconi towers at the masthead of neutral ships. America, hunting for a derelict in the path of our commerce,

sent a wireless signal to all ships on the Atlantic, asking if they had sighted the dangerous wreck. The tidings came back that they were equipped with the wireless system but under contract to send no messages to American vessels or towers, all of them being outside of the Marconi alliance.

Here was a situation that appealed to all the financial and trading nations, and hence the convention of the leading countries of the world. Statesmanship has been compelled to follow in the footsteps of science and recognize the rapidly approaching unity of the earth.

It is mechanical triumph that has made possible the creation of big, homogeneous nations. Jefferson did not believe that the American continent could ever be held together in the bonds of one republic. Nor did he deem it altogether desirable to try. Three associated nations, one east of the Alleghanies, another between those mountains and the Mississippi, and the third in the vague region beyond, was his most sanguine hope. And when it is remembered that it took three weeks for the news of Madison's election to reach the citizens of Kentucky, the pessimism of

Thomas Jefferson stands out as sane and far-seeing statesmanship for that period.

When Jefferson voiced his doubts of the future the New World was unsubdued. The forces of nature were too formidable for the resources of men. Matches, plows, kerosene, locomotives, telegraphs, electricity with all its light and power, were unknown.

Everyone knows how these and other inventions and discoveries have transformed the American continent and chained it together as the most compact national integral the world has known. But we are less apt to realize that with that consolidation of a continent has come, more cautiously, perhaps, and totally without the burning of fireworks, a financial unification, stronger even than the nation, for it would outlive a change of government. And when we realize that in its dynamic power and in the tenacity of its cohesion, the American Republic is without parallel among the nations, present or past, the still more sinewy Titanic strength of federated finance becomes significantly real.

And if we project our minds beyond our own boundaries and remember that associated capital

knows no political frontiers, that American gold upward of a billion dollars in the aggregate is invested in Mexico; that another billion of European capital is developing the resources of the southern half of our hemisphere; that we have factories in Great Britain and the Continent, and that Old World wealth is flowing into American industries, we get a glimpse of the coming world-power.

It is largely within the last thirty years, the age of iron and steel, electricity and perfected cables, when cargoes began to be bought and sold around the world by men sitting at desks in London, New York, Bremen, and Hamburg, and similar centers, that commerce has grown complex and vast. And the further fact that capital no less than trade has become a migrant, has so merged the interests of the money lenders that what benefits one nation to-day benefits them all, and whatever in the way of tariff wars and the more sullen conflict to which they lead disturbs one nation's trade, likewise injures the traffic of many. Moreover, such violence to commerce contracts confidence, brings down the value of securities, and dwindles the dividends of the world. And thus destroying the

faith, or credit, which peace promotes, a tariff war opens the way for the emergence of panic, a curse more menacing than pestilence to the prosperity of the commonwealth.

Thus the New Internationalism, engineered by the very money power against which all the idealistic isms rail, stands, despite the incidental evils it inflicts, for a world peace, equilibrium, and progress.

In a way the socialist and the syndicate are working to the same end. The strongest element in socialism is its international character. If it were possible to overturn the present system, sever our financial alliances with the nations, and attempt to work out an ideal condition at home, regardless of the relation we bore to the rest of the world, panic would inflict hopeless and desolating paralysis upon all industry. The only way, however, for socialism to combine the nations into anything like the unity which money has already wrought, would be by an international parliament, an international fleet for police patrol of the seven seas, and an international constabulary. That is the dream of a remote Arcady. Ever in the meantime genius will rule the world, and better that

genius in the rôle of peacemaker, however self-seeking, than that the war-lords, cunning in strategy and ruthless in ambition, should re-enact the old scenes of striding through slaughter to thrones.

What is unique about the New Internationalism is that it needs no propaganda to succeed. It seeks no proselytes. And without waiting or asking the consent of mankind, it has already arrived.

We shall be better able to realize this if we glance at the pace of prosperity throughout the nations since the beginning of the nineteenth century. Gladstone compiled figures showing that all the wealth amassed in eighteen hundred years was equaled by that produced in the first half of the nineteenth century; and that in the twenty years following, that is, from 1850 to 1870, the wealth accumulated was as great as that produced in the foregoing fifty. Thus, in three-score years and ten, the lifetime of a man, in our age of applied invention, the earth was made to yield one hundred per cent more wealth than had been piled up by all the nations in all the intervening ages since the coins of the world's leading

power bore the image and superscription of Julius Cæsar.

To-day computation cannot keep up with the multiplication of the fortunes of the world. Sixty-seven years ago, in the year 1840, the combined foreign commerce of the nations amounted to less than three billion dollars ($3,000,000,000). To-day the foreign trade of America alone exceeds that figure. And so does the foreign commerce of Germany, while the foreign commerce of Great Britain is more than four and a half billions in value, which is more than all the world enjoyed in 1850.

When we jubilantly isolate our own statistics, or regard the progress of our own or any other land as an unparalleled phenomenon, we shut our eyes to a common progress throughout the world, and thus blind ourselves to commercial opportunity abroad, clog the way to reciprocal trade, and not only prevent that international comity which grows fast when interests are mutual, but, in provoking and declaring foolish ultimatums in commerce, we check our own development and diminish the purchasing power of our patrons.

During the heyday of American admiration for

Japan, it was popular to extol that country's emergence as something unprecedented. The fact is that the industrial transformation of the Sunrise Kingdom has been coincident with that of Western Europe and of America itself. The light of Asia to-day is kerosene. For block after block along Tokio's streets I saw tables covered with lamps for sale. Both Japan and China import vast quantities of our oil. Yet, up to the time of the Civil War, kerosene was sold in America as a medicine! The United States ship that carried Perry to open the door of the East to the light of American civilization burned sperm oil as an illuminant!

Merchants in London to-day, when the wires under the Channel are overcharged with messages, cable via New York to call up brokers in Paris! Wires from Wall Street are forever vibrating around the world. A couple of seasons ago when, in spite of our bountiful harvests, the vigorous American appetite forced us to import wheat, a cargo from San Francisco, when it reached Liverpool, found a cablegram ordering it to proceed to New York. Yet it was only a few decades ago that the greatest scientist of his

day starved in our national capital while trying to convince our enlightened people that if he could send a message ten miles, as he was then doing through a coil of wires, he could flash it at least forty between Baltimore and Washington, if the Government would but build the line.

Nearly all that is characteristic in our big cities is the triumph of the past twenty-five years. In 1888 there were, in the whole of Canada and the United States, only forty-eight miles of electric railway track. One of those little lines was in Los Angeles, where I rode on the first experimental car. Since then I have ridden in electric street cars in Tokio, in Honolulu, in African cities, in Buda-Pesth, and in all the other capitals of Europe. Surely the world is being electrified together. At the Centennial in Philadelphia there were two electric-light exhibits. In Paris in 1900 there were two hundred! The dynamos of Berlin are operating electric light and power plants in Argentina and Brazil. I was informed in the German capital a few months ago that the greatest electrical firm in Europe had just organized a branch company to harness the waters of the Zambesi.

The story of the creation of the American city is a Continental romance. But it is a purblind civic pride that fails to recognize the similar emergence of municipalities throughout the world, for these complex and expanding centers of civilization furnish eager and coveted markets. In them, at the present time, American wares are seldom seen.

We are apt to forget that the big city is a modern phenomenon, made possible by rapid transit. The growth of Chicago, for example, has been truly magical. Many years of the nineteenth century had passed when the department at Washington received a plaintive report from the commander of Fort Dearborn recommending that the post be discontinued, as he doubted the expediency of maintaining in that remote and worthless wilderness an expensive military station which could never be of practical benefit to the United States. Yet marvelous as has been the history of Chicago, its development has not been swifter than that of Argentina's capital.

The expansion of New York City is a latter-day wonder, but Berlin, for sixty years, has been growing just as fast, if not at an even more rapid

rate. We think of London as piling up its population through the slow lapse of fifteen or twenty centuries. As a matter of record, since the time of the founding of our own national capital that of England has increased four hundred per cent! In the same period Paris has grown three hundred per cent in population and a thousand per cent in comeliness.

In 1870 Rome, the Eternal City, had only half the population it has to-day. I visited Milan a few months ago. I had not been to this famous capital of Lombardy in ten years, and in that time they have made a new and modern city of the historic place. The old cathedral, with its two thousand statue-crowned spires, is still the center of interest to the pleasure-hunting tourist; but around that ancient pile whirl electric cars, some of them with an upper as well as a lower deck, all clanging and crowded like the cars on Broadway at a busy hour, or like those of Tokio all day!

The real greatness of America began after the Civil War. So did that of Germany, Italy, Japan. The first Reichstag of the German Empire was not opened until 1871. In that year the newly created federation of twenty-five diminutive king-

doms, republics, and principalities groaned under five different monetary systems, seventeen different forms of gold, and sixty-six different kinds of silver. In a report, under date of July 26, 1906, to the Currency Committee of the Chamber of Commerce of New York, Arthur Gwinner, managing director of the Deutsche Bank of Berlin, speaks of the great confusion that reigned then in the currency arrangements of Germany, and adds that the first step of Bismarck and his advisers was to achieve a financial unity.

To-day, as a result of Germany's new fiscal system and its great commercial advance, the Deutsche Bank, which started in 1870 with a capital of £750,000, has twenty-seven branches in Berlin, ten in Hamburg, partnerships with banks in Vienna and Madrid, and a capital of £32,475,397!

The year of the beginning of this German bank witnessed in the United States the organization of the Standard Oil Company. At that time kerosene was prohibitive in price. The cost of transporting it to the consumer made it, not the poor man's light, but the rich man's luxury. Now it shines through the remotest farm window, and

tank squadrons carry it abroad. The foreign sales of this commodity add between $70,000,000 and $80,000,000 annually to our export trade.

In 1869, the year before the gold of Germany and the oil of America began to flow around the world, the first transcontinental railroad was completed in the United States. The cable between France and America was also laid in that year. The year was, moreover, made memorable by the completion of the Suez Canal at a cost of more than $100,000,000.

These two years were really the beginning of our present great international period. The reunion of American states was made permanent. The legal proceedings against Jefferson Davis were stopped. A Constitution was proclaimed in Spain, and the new Cortes ushered in by vote the *régime* of a limited monarch. United Italy, which had been the dream of that country's statesmen and patriots ever since the decline and fall of the Roman Empire, became a reality, and Rome again became the Italian capital. The confederation of Germany took place in 1870, and William I was crowned as the first emperor, in the first month of 1871.

In 1868 in the harbor of Yokohama a Japanese vessel that had just acquired as a novelty two Occidental anchors could not lift them from the mud. They wound both chains simultaneously, and the more they strained the tauter grew the metal hawsers. In distress the captain signaled to an American naval vessel in the bay, and Captain McClellan, now of the revenue cutter *Manning*, went to the assistance of the perplexed Oriental sailors, showing them that they must merely pull on one anchor at a time, thus lifting each anchor perpendicularly instead of trying to uproot the whole bed of the sea. That was Japan a little more than a generation ago. To-day it has a greater merchant marine on the Pacific than America has on all the seven seas. Here, thirty years and more after European commerce began to sail through the great canal cutting Europe and Asia, we have begun to make dirt fly on our isthmus; but we had no sooner made the initial appropriation for the work of bisecting the Western Hemisphere than Japan voted $12,000,000 to improve the Bay of Yeddo, so that at the completion of our canal the deepest draught ships of the Sunrise Kingdom will be ready to steam direct

from Tokio and Yokohama to Rio de Janeiro, Pernambuco, and Buenos Ayres.

We like to beguile ourselves with the fallacy that America in all things is advancing faster than the other nations, and that our incomparable advance is the result of piled-up years of Yankee invention and enterprise. At the beginning of the nineteenth century, the horse, the sloop, the full-rigged ship, the stage and the canal boat were our fleetest vehicles of travel. The pace of our civilization was no faster than that of mankind in the first days of the Aryan migration. Greater apprehension was indulged in over the perilous trip between New York and Jersey City than we now entertain in regard to a passage through the Straits of Magellan. Many lives were lost in the storms that swept over the ferry rafts of the leading harbor of the New World. Grave fears were once entertained for the fate of Alexander Hamilton, the rumor being that he had gone down in these waters while *en route* to the national capital.

In the first years of the nineteenth century the ox and the horse were the American thrashing machines! They trod out their master's corn just

as they did in the days of the patriarchs of the Bible. The flail that was used bore the brand of Tubal Cain, and the plows our farmers followed, even up to the third decade of the nineteenth century, were the kind the aborigines used when the world was young. Modern agriculture can trace its furrows very clearly to South Bend, Ind., where in 1855 (the year after Perry went to Japan) we established the chilled-steel plow works. That plant made South Bend famous in the annals of husbandry.

In America, as in Germany and other progressive lands, latter-day advance has resulted not from exclusive opportunity or genius, but through civilized readiness to grasp the lever of applied mechanics. The greatness of Bismarck no age will question. He was, indeed, a man of blood and iron, but it was the iron of the railway that served him best. His genius and the headlight of the locomotive flashed together through the dismembered peoples of the Germanic states, and the federated Germany, which had been the ineffectual effort of masterful men for more than a thousand years, was accomplished. Charlemagne had tried the same thing, but in that conqueror's day the

voice of a leader could be heard only by his immediate retinue. When Bismarck rose in the Reichstag to address this age, his message to electrified Germany was heard from Bavaria to the Baltic.

It is impossible to grasp the wide reality of the New Internationalism without keeping constantly in mind this simultaneous progress in material things. Up to nearly the end of the third decade of nineteenth-century civilization, the whole pagan and Christian world still struck steel and flint together to light its fires. The first lucifer match made its appearance in 1827. This quickener of life is now considered indispensable. Forests have gone into matches. The present universal use of matches illustrates how, even in little things, progress is one, all along the line of nations. China, supposed to be sitting in pagan darkness, imports matches by the ship load, and they are all made in Japan. In 1823 the first gas jet sputtered in New York. Up to that time, when night overtook the cities of America, they lapsed into the Dark Ages. The marvels of illumination that have since been wrought are not confined to the cities of this continent. The Unter den Linden of Berlin, the Boulevards of Paris, and the Prater

of Vienna are as brilliant with electric light at night as the theatrical district of New York.

In 1868 the Westinghouse air brake came into use. Making possible the safe handling of enormous trains of freight, it has transformed the traffic of all nations on three continents. This appliance is now in many lands required by law.

The iron-ore regions of Lake Superior were opened as late as 1884. Since then the whole world has entered the Age of Steel. Our own plants are enormous, but not more so than the famous works at Essen. And Japan, which, within the active life of an American naval officer still in service, stuck in the mud of Yeddo Bay, now builds of iron its naval and merchant fleets. The first vessel turned out by one of the shipyards of Japan was a gunboat for the American navy!

Up to the time of the Civil War through tickets were unknown on our railways. The passenger could be assured of transportation only to the end of the local line. There he must make his own arrangements, hunt up the connecting train, and personally attend to the transfer of his trunk. Every traveler was his own passenger agent. Now, in New York, you can buy a ticket around

the world. But you can do the same thing in Hamburg or Shanghai.

In 1901 the first elevated railway was opened in Boston. In 1893 Chicago's elevated road started to carry passengers. New York had one as early as 1871, but it was not a success. To-day this form of travel is a feature of our American municipalities. But elevated lines are not confined to the United States. Trains on the "stadtbahn" of Berlin thunder overhead just as frequently as they do in New York.

It would be foolish to attempt to disparage the glory of American progress. Our corn crop in 1905, for example, was so great that if every inhabitant of the earth had stolen a bushel from us there would have been more than a billion bushels left in the American crib. We cannot build freight cars fast enough to haul the harvests from our farms or the finished goods from our factories. On September 15, 1906, Wall Street announced that the Western lines were 75,000 cars short and the Eastern 100,000. It may astonish Americans to learn that a similar condition prevails in Europe. Mr. Dunning, American consul at Milan, called my attention to the car shortage

in Italy. When I was in Berlin I was informed that one of their biggest car factories had just declined an order from Russia, as the plant was working to full capacity, turning out new cars for the German railways. In Kansas last year farmers hurried about the country in automobiles, hunting for farm hands. In Germany in the summer and autumn of 1906 soldiers on furlough were pressed into service in the hayfield. When it was moonlight, families worked in the fields all night. In North Germany, where the sun does not set in summer until nearly nine o'clock, and where twilight lingers nearly an hour more, I have seen men and women working at their harvests until the last glimmer of twilight faded. Yet in spite of all this industry, crops both in America and Europe were not all gathered.

It is true that on the American side of our tariff wall prosperity no less than politics has had a memorable reign, but not even the most stubborn conservative will contend that the prosperity abroad is due to the barrier we have erected against traffic.

Our foreign trade is growing at a rapid rate, but not faster than that of many European

countries, and not so fast as China's and Japan's. It is not strange that our statesmen have been slower than our financiers to see that the whole world is sitting at the same feast. So towering a genius as Bismarck failed, as Napoleon had before him, to realize that since the universal adoption of modern machinery and the international profits from world-wide investments, the advance of one nation means the similar advance of them all. At the close of the Franco-Prussian War, the great Chancellor sought to put the French nation eternally in pawn to the new Germany, and he therefore fixed the war indemnity at the enormous sum of $1,000,000,000. In three years France had paid it to the uttermost centime, together with interest, and within a few years was helping to finance the big industrial undertakings of the German people. Had Bismarck's hope come true, and the French nation been permanently injured by the exaction of the victorious Germans, Germany would have suffered no less than France. It is not the thrift alone of the French that has made them a banker nation, but the copartnership of diligence with machinery.

Even above the blessings of economy and applied inventions is the magical effect upon industry produced by peace. Since the Civil War and the Franco-Prussian War, there have been no great conflicts, either in America or Europe. Had America been deeply interested in the Far East in the matter of investment and trade, it is possible that the war there would have been averted. So long, for example, as we have $1,000,000,000 invested in Mexico, there is no danger that another Maximilian will attempt to rule that country. Even if Diaz should be succeeded by a weakling, American capital would demand safeguards against anarchy or usurpation.

Mexico, like Italy, like America, like Japan, like Germany, began its advance since our Civil War, which is another way of saying that it started on its career of consolidation and progress with the perfected extension of railways and telegraphs. These agencies, providing for each nation its principle of cohesion, are now, in the hands of "operators," more potent than kings, federating the world. The European dream of dominion in the Western Hemisphere had a rude and tragic awakening when the masterful Indian

at the head of the Mexican forces captured Maximilian at Queretaro in 1867 and ordered that hapless archduke shot. But neither Juarez nor his great successor could have managed the States of Mexico, given over to the wild disorder of brigandage, without mechanical means of welding the big republic together.

In this year of railway building and projects and telegraph extension was organized the Canadian Dominion, and thus, federated on a scale even more colossal than the United States, the great period of Canada's prosperity began.

It will be seen that from 1866–70 to the present —the age of steam and steel and harnessed lightning—there has been witnessed the most remarkable merging of provinces, states, principalities, kingdoms, and republics, both in America and Europe, that the world has known. In Italy the dream of Garibaldi has been realized, not through the work of patriotic Utopians, but because business could best be developed through a merging of the Italian states. The merging of the German principalities and kingdoms, bringing to pass the hopes of Teutonic idealists from the days of Hermann (Arminius), who in 9 A.D. desperately tried

to do what destiny reserved for Bismarck, was an outcome of the realization that the combination of all meant the prosperity of each. There were never shrewder centers of trade than the old Hanse towns, none more animated with the spirit of independence; yet these famous ports, after remaining a few years outside the frontier of the German Empire, knocked for admission. Last year the citizens of Hamburg, conscious of the great debt they owe to Bismarck, erected in that city a statue of granite to his memory, as colossal as the enormous figures reared in Japan to the deities of ancient times.

In the same period that has seen the federation of Germany, Japan has perfected its great business and national combinations. Even the South American republics, with the exception of the distempered two at the tropical end of the continent, have organized campaigns of peace and prosperity.

Cosmopolitan Brazil has created colonies for Italians and Germans, and with liberal offers of farm lands and implements has invited the other peoples of Europe. Argentina, a few years ago compelled to buy wheat, is now a competitor of

ours in the sale of food stuffs to Europe. In the event of a tariff war with the United States, Germany will look to Argentina for supplies. Chili's progress has been marked. A tunnel under the Andes provides for closer communication between these two republics, and promise of their eventual unification of all commercial interests is found in their present agreement to decrease their armaments. The world's last great panic originated at that end of the Western Hemisphere. It would be unique if the New Internationalism, so far as statesmen have aught to do in furthering it, should start in the same remote part of the earth.

We are the first people to merge the communities of a continent. That is why, in the totals, our success is greater than any other nation's. If there were at the Mexican and Canadian borders gates swinging both ways in the tariff wall, the traffic that would pass through would transform the whole American continent into a duplication of the prosperity that has merged our own reciprocal commonwealths and made them greater industrially and commercially than any other one nation.

The expression "A world of opportunity" is

a threadbare phrase. It was never so new and true as now. Europe, with its many inventions, and others borrowed from us, is striding in the same procession we so conspicuously adorn. The typewriter, blasting gelatin, industrial chemistry, the telephone, the carbon filament, and the current that makes cities incandescent at night, the duplex and quadruplex telegraph, the railway and the air brake, exist for all the world. All these triumphs have either been instrumental in merging nations commercially or have been perfected since the inauguration of the first phases of the New Internationalism. Instead of feeling chagrin at the spectacle of European empires and republics keeping pace with us, it should arouse the liveliest ambition, and lead to programmes for the extension in the Old World of an American commerce in keeping with our continental resources.

CHAPTER III

REPRISALS AND PANICS

BECAUSE of the international complexity of trade, the constantly increasing aggregations of capital, and the instantaneous communication of economic changes in all parts of the world, not only are the nations advancing as one, but every nation is influenced by depression in any other nation. Even if a country has no foreign commerce and seeks none, it is still vitally concerned in the financial stability and progress of distant countries. This, as I shall show, is perhaps the most graphic fact in the New Internationalism. It makes every nation its brother's keeper.

Inasmuch as all nations are progressing together, it is obvious that no one nation has a monopoly of the economic secret of success. There is prosperity behind high tariff walls, and prosperity behind low walls; there is prosperity in countries that have established reciprocity and in countries

that have not; there is prosperity under monarchies and democracies; there is prosperity in countries with continental resources, and there is prosperity in a country like Japan, for example, whose arable area is equal to one-third the size of the State of Illinois. Latter-day prosperity is a world phenomenon. It is the result of the many-handed strength of mechanics, and as finance has become international, the dollar mark and the German mark look alike to the man seeking profits, when these are reduced to the terms of sterling, the world's clearing-house money. It is obvious that business has passed beyond the political boundaries. Very soon there can be no real patriotism in any land that refuses to look at economic questions from an international standpoint. It has been said with shrewd and satirical sagacity that the greatest service performed by legislators is their action in repealing the mistaken laws of their predecessors.

Within very recent times in the United States, conservative statesmen holding to outgrown traditions have protested against the action of any internationalism which has forced America to interfere in the affairs of Latin America. It was

this new spirit that prompted America to force a business settlement of the trouble in Venezuela, when the gunboats of Europe came to collect debts against that defaulting republic. It was the New Internationalism that prompted the administration, against the criticism of Congress, to take possession of the disordered revenues of San Domingo. The whole community of trading nations wanted a waterway across the Isthmus, and when the Republic of Colombia, by tantalizing and dilatory tactics, attempted to postpone or defeat that project, the New Internationalism godfathered the Panama Republic. No lives were lost in the creation of this first country organized under the modern international dispensation. But at the Washington branch of the Panama Republic, located on the seventh floor of a leading hotel at the national capital, messages came pouring in from the crowned heads of Europe, welcoming this State to the fellowship of the nations. There was no idealism in the genesis and perfection of Panama. One of its leaders was among the shrewdest financiers New York has produced; and it is significant of the mysterious method by which the New Internationalism carries out its

programmes, that this financial master was subjected later to a searching senatorial inquisition; and instead of light being shed upon the masterful and subtle operations involved in this bloodless triumph, the senators who conducted the examination were more mystified at the end than they were at the outset.

Repudiation of debts has not only disgraced the whole of Latin America, from the Rio Grande to the Plata, but has frequently imperiled the financial standing and industrial activity of Europe and the United States. Thus, whatever criticism can be attached to the action of giving stability to Panama, the international effect, in producing confidence, vastly outweighs any other consideration.

It was the New Internationalism that prompted the United States to step into Cuba. In two weeks we had accomplished there what Spain had been unable to achieve from the days of Diego Velasquez to the butcher Weyler. Our Secretary of War has become a Minister of Peace. It is a far step from the Conquistadores of Spain to the American Cabinet.

No country to-day can progress by the sub-

jugation of any other. This was not always true. In the beginning of the sixteenth century Hernando Cortez destroyed the civilization of the Montezumas, and by that act enriched the coffers of Spain. A few years later Pizarro, entering Peru, stripped the temples and palaces of the Incas of their golden objects, melted them down into ingots, and shipped them on galleons back to Spain. To-day, if England or America should destroy the city of Mexico or Lima, instead of advancing the prosperity of either the United States or Great Britain, such an act of international brigandage would produce an economic catastrophe throughout the world.

Faith of man in man, or credit in trade, is the basis of international business to-day. There are, for example, more than 30,000,000,000 dollars' worth of national debts in the world; but in all the vaults and in all the pockets of mankind there is less than $6,000,000,000 in gold. If all the debts of the world came due at once and payment were demanded, all the nations would go into bankruptcy. And in former times, when the news of an economic disturbance in a remote country was many months in reaching the centers of trade,

it made little difference what happened in communities divided by mountains and seas. There was no common ground of interest. These depredations of the Spanish conquerors of Mexico and Peru, for example, had absolutely no effect upon the money markets of Europe. The news of the Lisbon earthquake in 1755 was three weeks reaching London. In 1906, on the Atlantic, I met a Marconi operator who informed me that the news of the destruction of San Francisco had been received instantly out of mid-air by his ship, 800 miles off the Atlantic coast; and several big business men on board flashed wireless messages to New York, giving instructions in regard to the sale of stocks which might be affected by that Western catastrophe.

For many years I had been making a study of the instantaneous effects produced upon one country by economic derangements in distant lands. I had come to the conclusion that the prosperity of a country like the United States was not derived wholly from its own prodigal harvests or its booming factories. In fact it seemed clear that in the time of a country's greatest prosperity it became most sensitive to those depressions abroad,

because in times of abundant crops capital is more venturesome than in periods of scant harvests; and, because there is always a great gulf between the actual gold in the world and its volume of business, the country that enjoys the greatest trade is the first to suffer from any contraction of confidence. But while this seemed obvious to me, I was not sufficiently certain of it to enunciate the principle publicly. I therefore sought the opportunity to present the idea to many leading financiers, shippers, and manufacturers, and all who had given it consideration were quick to respond that American prosperity could not continue, if the collapse of the securities of some other nation destroyed the spirit of adventure and self-reliance in business here.

Mr. James J. Hill, president of the Great Northern Railway, when I submitted the idea to him, made a reply which I believe will become classic in the economic history of the New Internationalism. He began by reminding me that in 1893 overspeculation in the railways of Argentina made it impossible for that country to pay the interest on its national debt, and as this debt had been guaranteed by the house of Baring

that famous institution was visibly embarrassed.

"The news," said Mr. Hill, "of the fall of the house of Baring reached New York on Saturday, and on Monday the farmers of Minnesota and Nebraska were unable to sell their wheat."

Even a casual study of the history of modern panics reveals that their greatest injury has been wrought in the most prosperous nations. A panic is psychological. From a strictly literal point of view there is no reason why the collapse of Argentina should bring down the price of wheat in our Western States, or why it should start a greater panic, and involve the loss of billions of dollars' worth of business.

Nevertheless it is true that the possibility of world panics is the most important factor in the affairs of modern nations. The war between Russia and Japan might have been strung out indefinitely had the financiers not realized that it was not only rapidly reducing the purchasing power of the world, but was menacing the equilibrium of European states. Russia had borrowed $2,000,000,000 from France; it had borrowed some from Germany; the collapse of Russia

would have created a French panic, and as France is the banker nation of Europe that panic would have spread far. At the very time that the uncertain fortunes of war were threatening the stability of Western Europe, great promoters of American industrial enterprises were in France seeking to negotiate loans; and a striking illustration of the latter-day internationalism has since been witnessed in New York City, where tunnels under the East River, built by a British contractor, have been paid for in gold borrowed of the financiers of France.

In the preceding chapter I mentioned the growth of the Deutsche Bank. To illustrate further how the world is being merged financially, it should be mentioned that this great German bank was instrumental in establishing the Asiatische Bank, the head office of which is in Shanghai, with branches in several parts of the Chinese Empire, in India, and in Japan. Likewise it assisted in founding the Deutsche-Ueberseeische, with headquarters in Berlin, and important branches in cities of Bolivia, Chili, Peru, Mexico, and Spain. Besides this, the Deutsche Bank is interested in the Banca Commerciale Italiana, one of the lead-

ing institutions of Europe, with twenty-three branches in united Italy. Also, the German house has important holdings in the railways of Anatolia and Bagdad.

The triumph of the Deutsche Bank is but one of many financial successes in Germany, England, Europe, America, Japan, and other lands. Its international interests are typical of the activities of Old World banks, and indicate the ramifications making for cosmopolitanism in the world's affairs. Anything that would injure the commercial or financial stability of Germany, through a tariff war with America, would inflict business depression throughout a wide circle of the earth, and as America has direct trade with many of these lands, and capital invested in others, and as both are gradually increasing, we should only mete out injury to ourselves by crippling the industries of Germany. Even if we considered our commerce with that country alone, any disturbance of it is a serious thing, for the 60,000,000 people of the Fatherland buy, as the years vary, from three hundred to five hundred per cent more than do the 900,000,000 inhabitants of all Asia and Oceanica combined.

It will further show how the disturbance of the financial conditions of Germany would also injure industrial enterprise in this country, when it is known that this Deutsche Bank owns and operates twenty-five breweries, fifty-four steel mills, five manufactories of bricks, forty-five various enterprises such as hotels, mills, and distilleries, and is constantly engaging in new branches.

CHAPTER IV

MORE REPRISALS AND PANICS

It is easy to convince the American who has goods to sell in Europe that it would be advantageous to give foreign countries tariff concessions, with the understanding that we were to receive reciprocal consideration at their customs borders. Thus the boot and shoe men of New England, who want free hides, that they may produce their goods at a price that will compete with similar foot wear, foreign made, are anxious that America should give an opening to a new class of commodities from Germany and France, so that Germany and France will give the right of way to American foot gear. But this argument does not appeal to the Westerner who has hides for sale, and it is particularly repugnant to manufacturers in the United States who fear competition in this country with imported products produced where labor and material are cheaper.

But while people have been disputing over the localized phases of this great international economic question, capital itself has been solving it. There is no tariff wall, among the nearly two hundred on the earth, high enough to keep out investment. Partly because of the handicap placed on American goods by the foreign tariffs, and partly because of the increased facility in distributing our factory products abroad, the last few years have witnessed the erection in Europe of many American plants. In London, Paris, Antwerp, and Berlin extensive factories have been built by the Western Electric Company of Chicago. Some of them are known by other names abroad, but the capital that controls them and the mechanical genius that directs them are American. The General Electric Company has followed the same course. It has five great establishments in Europe, including the enormous factory built a couple of years ago at Rugby, England. The Westinghouse Company, whose air brakes, as I have stated, are an equipment of nearly all foreign railways, completed in 1904 at Trafford Park, England, one of the greatest factories in the Old World. It employs 3,000

men. This company has other establishments in St. Petersburg and Havre. Three large factories in Europe have been built by the Singer Machine Company. At Frazerburg, Scotland, the Chicago American Tool Company has a plant. Cotton manufacturing districts of England are being equipped with the American Northrup loom made abroad by the Draper Company of the United States. Hoe printing-presses are manufactured in Europe by the Hoe Company of America. In the windows of the Friedrich Strasse, Berlin, I saw American typewriters, and upon inquiry found that they were manufactured in Germany at American plants. It is estimated that about $100,000,000 of American capital is invested in factories in the Old World. Similarly European capital is invested in American factories and American railways.

It is significant of the new order of international relation that the present King Edward of England draws more revenue in interest on American securities held by his royal household than George the Third ever exacted from the American colonies!

Socialism is inclined to argue from this fact

that under the new rule of business consolidation, national and international, men are more oppressed in this democracy than they were when America was a colony of England. A reassuring thing in this extraordinary fact is that it is one of the manifold international relationships making for permanent commercial peace. King Edward's holdings in the United States are typical investments here of thousands of British capitalists, and the American factories are only a partial list of similar establishments built by capital and missionaries sent from the United States. It is obvious that just as the use of gunpowder in warfare demolished the ancient walls that were proof against the crude weapons of the barbarians, so the finance of modern times has made a mockery of the tariff barriers maintained with great expense and jubilant patriotism on the border land of the nation. It is plain that the man who cries "Tariff War" is not only behind his tariff wall, but he is behind the age.

When I was at Mozambique, a few years ago, I witnessed the curious and grotesque performance which somewhat illustrates the actions of

the politicians, who imagine that the maintenance of an uncompromising tariff wall will shut out the world. At Mozambique, which is the capital of the East African possessions of Portugal, they have an ancient adobe fort surrounded by an adobe wall. It was the duty of the theatrical commander of this antiquated relic to fire across the bows of incoming vessels and demand a salute. Humorously, the German ships trafficking with Mozambique complied. But every captain knew that a couple of shells from a modern gun would scarcely leave one clod upon another of the adobe walls. Yet it would be clear to anyone that the destruction of such frail ramparts would not advance the cause of any nation's commerce.

There were far easier processes for securing commerce at Mozambique. To-day the world is maintaining its tariff walls with a childlike faith not unlike that of the Portuguese in East Africa. In spite of these tariff barriers traffic constantly increases. Artificial prices are created, of course, and some trade is depressed or diverted, but nothing can stay the world-wide advance of international cargoes and international investments. Statesmen in Germany who threaten to

place a surtax on American goods, and American leaders who advocate placing one hundred per cent tariff penalty on the imports of all nations that discriminate against us, or even the extreme expedient of excluding these alien cargoes entirely, fail to realize that America has just as much occasion to be interested in the progress of Europe as Europe has itself; and that solvency of the Old World would not continue if America should slump toward insolvency and panic. Even if it were temporarily desirable to exclude the products of Germany or France or any European state, the fact that that exclusion would depress industries abroad and that depression would react instantly upon the prosperity of the United States raises this question far above the controversy between the boot and shoe interests of New England and the cattlemen of the Western prairies.

In the fire districts of a city every citizen is anxious that his neighbor's house should be securely built of brick or steel. It is not municipal benevolence that makes him see to it that the house across the street is not constructed of wood. The bond between nations is just as close, and,

in the New Internationalism, prompted by similar sentiments of self-interest. The whole world is doing business on a single street, and what happens at one end of it is instantly felt in the whole thoroughfare. Joseph French Johnson calls attention to the interesting fact that in every city a number of financial houses make a business of keeping vigilant watch upon the stock markets of all countries. Whenever there is the slightest disparity between the prices of securities in two different markets they invoke the cable to buy and sell at a profit. They are known as arbitrage houses.

"If," says he, "the price offered for Pennsylvania Railroad stock on the London Exchange is a fraction above the price at which it is selling in the New York Stock Market, arbitragers buy in New York and sell in London on the same day. Such a transaction is often completed within two minutes."

Our foreign commerce in itself is of little value to the United States, compared with our stupendous domestic market. If we could cut all the cables permanently that connect us with the rest of the world, and blast out of the empyrean the

secret force that conveys wireless telegraphy, and stretch across the entire continental sky a wire netting to keep out aerial craft, we could live to ourselves. Then, with the recurring prodigality of our harvests and the increasing production of our factories and the pulsating heart beats of our general industry, America would go on in unbroken prosperity. But the new laws of science and the new laws of finance make this picture impossible. We are forced to reciprocal relationships with the powers of the world, not exclusively because we need or seek foreign commerce, but because our industrial and commercial life depends vitally upon international solvency and progress.

If on some horrified morning Wall Street should learn that Europe and Africa and Asia had slid into the sea, there would be, of course, a panic more or less prevalent in the United States. But this country, an empire in itself, and with incomparable powers of mechanical and natural resiliency, would soon be again a land of happiness and plenty, and when we began to compare in retrospect the money that had been spent abroad by Americans with similar profits that had been

made, up to the time of this tragical cataclysm, out of our export trade in competitive countries, it would be learned that the disappearance of the other three continents had resulted in an economic gain to the United States.

The foreign relations between nations to-day cost vastly more than the profit made on international commerce, but as we cannot build tariff walls to the sky, and there is no prospect of our competitors being engulfed, we are confronted by the necessity of transacting international business in keeping with the new economics.

But uncompromising tariff walls and drastic reprisals are political survivals of ancient days, when one nation could profit by the downfall of another. The new conditions which have bound the nations together, and which make them advance or decline as one, open the way for an international relation that, instead of being a drain upon the world, will permit a prosperity infinitely beyond the dreams of the present.

It has puzzled the economists and the poets to understand why, in spite of the progress of enlightenment and the convening of peace parliaments, the armaments of Europe have been stead-

ily augmented. Every year sees the launching of a new squadron of *Dreadnaughts*. The secret is that the statesmen and kings who are ordering battleships and mobilizing new armies, are not the business managers of the world. J. C. Monaghan, the editor of the economic publications of the United States Government, remarked to me recently that the Romans had a saying that rivers, mountains, seas, and mutual fear divided the world. Business to-day knows no mountains—it goes through them—and the rivers and seas, instead of being barriers, help to unite commercial centers. Mutual dread alone remains as a barrier between nations, but, as I have pointed out, it is not a barrier in commerce. The Germans have a saying to the effect that a man is a friend to the man that butters his bread. The old bogy of political fear between the powers is kept alive by the restless War Lords, and yet, even they maintain in undoubted sincerity that the increase of their armaments is not for the purpose of extending their domain, but for the preservation of peace and promotion of commerce. Europe with all its mighty armaments looked on with composure when our Secretary of War proclaimed himself

Governor of Cuba, and they regard with high hopes of coming expansion of their trade America's innovation in bisecting the Western Hemisphere. Some of the Chauvinists of Europe foresee in America's step into the Caribbean the beginning of a Yankee conquest of the whole of Latin America, but commercial Europe is not perturbed at the outlook, and particularly financial Europe is pleased at the possibility, for it would mean the absolute safeguarding of the billion and more dollars of national debts held in the Old World against the South American republics. It is likely that the century will fulfill the prediction of European alarmists in regard to American occupation or political management of many of the countries between Mexico and the Straits of Magellan. I asked John Franklin Crowell, one of the editors of the *Wall Street Journal,* whether in his opinion the United States would ultimately exercise suzerain or closer control of the Latin-American nations.

"Well," said he, "sooner or later we shall probably vote a majority of their capital stock."

It is because we are not conscious of the manifold forces at work in the warring of nations that

we see only the grotesqueness in the thundering preparations in the navy yards and the gun factories of Christendom. I have already shown that Bismarck was blind to the new forces of mechanical invention, when he laid what he thought would be an eternal weight of obligation upon the French nation, and, quartering his soldiers there until that billion dollars should be paid, believed that he had paved the way for permanent German occupation of the domain of his invaded rival. Equally shortsighted was this great man's outlook regarding the new and more subtle forces of financial internationalism. The world has outgrown the Iron Chancellor's narrow conception of the latter-day material resources of nations, but our statesmen still cling to his other fallacy that a nation's prosperity is safeguarded and developed by perpetual police patrol of its frontiers. Bismarck voiced the still popular mutual dread of statesmen when he said with telling epigrammatic power:

"The pikes in the European carp pond hinder us from becoming carp."

A glance at the current military awakening of China will illustrate how far behind the real prog-

ress of the world the military movement is. When Li Hung Chang visited Bismarck, the Iron Chancellor raised his glass and said: "I drink to the greatest man in Asia." Whereupon the premier of the Mongolian Empire replied: "I, sir, drink to the greatest man in the world!" and China has been rapidly modeling its foreign policy upon that of the most militant Christian powers. I talked with Chinese leaders when I was in the Orient and asked them to give me their opinion on China's new programme for a military career. They said that it was a mistake to believe that China did not have the ingrain qualities of ferocity that have made the Occident great. Centuries ago, they said, China conquered the barbarians, established its far boundaries, and settled down to cultivate the arts of peace. For ages then they developed trade, and all nations that transacted business with the distant Orient grew rich, but now they say they realize that they dedicated themselves prematurely to the pursuits of peace. In the meantime, the arts of slaughter have been developed by the Christian powers, and so fearing dismemberment this pagan nation has decided to abandon its programme of tranquil-

lity and become an armed power on land and sea. Chang Chih-Tung, the celebrated viceroy of Hunan, wrote a book on "China's Only Hope," in which he set forth that the future of that country depended on the maintenance of a great army.

"Since the Disarmament Society was formed," he said, "the great countries have been energetically purchasing men-of-war and using every means to preserve the balance of power. If we maintain the army, the weak countries will fear us and the strong will respect us. If we ally ourselves with Europe then Europe will win; if with Asia, Asia will win."

Very recently China has reorganized its whole military system, centralizing the command in a War Board at Peking. On the surface, therefore, with the great military preparations in Europe and in the Orient and with the clamor for greater armaments in America, it might seem that the world instead of becoming more unified was constantly making its national boundaries more formidable. But it is merely that the real forces making for international federation are unseen. China in demolishing its ancient wall and converting it into building stone furnishes a far more

significant example of the new era than in its adoption of our military system. China's foreign commerce in the past twenty years has grown as fast as America's, faster than that of most of the countries of Europe. It is being electrified by the new era in the world of economics. The United States Government sent a financial expert to the Celestial Empire to introduce there a monetary system that would relieve trade of the vexations of exchange fluctuations. On the steamer that took me to the Orient nearly one half of the passengers were business pioneers of America and England, looking for opportunity to establish important connections with the awakening Mongolian world. The opportunities in that ancient but new Oriental land are universally regarded as unlimited, and many people in America whose faces are set against reciprocity with Europe would be glad to have reciprocal trade relations with China. I shall show, however, that American opportunity in Europe is greater than it is in the Far East, and particularly is this true if for any considerable period the military *régime* is to continue to prevail in the world. Whatever the wars of the future may be they will be commer-

cial. The races no longer go to battle for their faith. The war between Russia and Japan was on ground which belonged to neither and was waged in what both contestants believed to be the interests of their material welfare. In that contest was shot away more than $2,000,000 per day. A conservative statement of the expenses incurred by the conflict is fixed at $2,000,000,000. Had that war been prolonged for six years it would have compelled those two nations to borrow all the gold in the world!

If the Utopians who dream of universal peace would give closer study to the economics of modern warfare, their arguments would be far more persuasive. It is interesting to find that our three months' skirmish with the moribund kingdom of Spain cost the United States more money than was consumed in the eight years of the Revolutionary struggle, ending with the independence of our thirteen colonies. And the only legitimate excuse for modern warfare is that it is supposed to increase the wealth of the various nations! Immediately upon the news of the victory of Dewey at Subig Bay, one of our foremost political leaders cabled to the admiral at Manila say-

ing: "Send us immediately an estimate of the probable coal, forest, and other valuable resources of the Philippine Archipelago."

It is true that the war spirit is a strong and enduring one. One of the futilities of the peace promoters is that they have been trying to substitute the Doxology for the Marseillaise and the Battle Hymn of the Republic. The best and bravest blood of the feudal ages was lavished in the effort to redeem sacred places of the Holy East from the feet of the infidel. To-day the Christian powers could convene at The Hague, and by international resolution demand in five minutes the graves and other sacred places of the Levant from the weaker nations that now hold sovereignty there. They could—if they could find it—insist that the Garden of Eden be set apart as an international park for Christian pilgrims. But there is no commercial interest in these matters, and they are not considered. The tombs of Palestine are of less consequence than the mausoleum of Napoleon; and the gilt and gold of that memorial is of infinitely less importance than the gold buried behind time locks in the vaults of Paris, London, and New York.

The term Crusader in this commercial age is used only to express semitolerant derision. The New Internationalism will not recommend itself to the idealist. But there is much to be said in justification of our present international finance. There is a meaning in the Peace of Dives which has escaped the acrid interpretation of Kipling. The virtues of the new commercial *régime* will appear, if we compare our period with the ruthless ages when peace was made possible only by the subjugation or even the extermination of competing peoples.

One of the old imperial conquerors during the halcyon days of Spain lay dying. The attendant clergyman reminded him that he had led a life of reckless and sanguinary daring, and admonished him that as he was about to be ushered before his Creator, he should take advantage of the extreme moment to forgive his enemies. "My enemies!" repeated the dying freebooter, "I have no enemies. I have killed them all."

Our latter-day international millionaires who are taking possession of the earth will not appeal to the high standards of the altruists, but they are at least infinitely better than the swaggering cap-

tains of the old time, whose paths around the world were trails of blood. Some of these modern financial masters are far in advance of the Bismarcks and the Li Hung Changs whose spirit still prevails in the multiplication of armaments. The War Lords of the present day and their plotting senates are merely reënacting the rôle of Cato, all of them crying for the destruction of some competing Carthage. But the money rulers now are as much interested in the competing centers as they are in the Eternal City where they happen to abide.

If we will in fancy move the political boundary of any country and include in an ampler area the land against which militant kings and statesmen inveigh, we shall realize that the fears they conjure up are fictitious. If, for example, Canada were a part of the American Union, the furtherance of trade between the Dominion and the United States, instead of being a catastrophe to the industries of either, would increase the prosperity of both. And even if Germany or France were to become a European connection of the United States, instead of imagining a German peril, or a French peril, we should boast jubi-

lantly of the progress of the Americanized centers in the Old World, and begin to regard with suspicion all the commercial activities and ambitions beyond our American tariff wall in Europe.

We have been provincial in a large way in America. Max O'Rell complained that on an English ship westbound from Liverpool he was accosted by a fellow passenger, an American, with the remark, " You are a foreigner, I believe." " I shall be," was the reply, " when this ship lands at some port."

Now we are being forced into a cosmopolitanism and to a universal brotherhood by manipulators who but for the lure of international profit would probably be foreigners beyond their own hunting parks. When Dives, in Kipling's ballad of the Arcady of Mammon, caused battles between men to cease, while the cities shared the profit of that shrewd tranquillity,

> The Prophets, Saints, and Seers
> Set each other by the ears,
> For each would claim the marvel as his own.

Events commonly have a sinister disregard for the prophet, but sometimes the impractical poet and the speculative philosopher behold the signs

of a new era long before burly Commerce arrives in port. In "Sartor Resartus" its picturesque and rugged author outlines in a quaint way the very internationalism that the cables of to-day, flashing the fluctuations of the market, have brought to pass.

"I say," exclaimed Carlyle, "I say there is not a red Indian on the shores of Lake Winnipic can quarrel with his squaw, but the whole world must smart for it; will not the price of beaver rise?"

It is interesting that Carlyle, ten years before Samuel Morse at Washington obtained the first reluctant appropriation for an experimental telegraph, looked down the decades and caught a glimpse of the modern reciprocal period, and expressed in his symbolic way a prophecy of the present fact, that any derangement in the orderly processes of industry in any part of the world influences the markets of the nations. When the New Internationalism forces reciprocity upon Congresses and Parliaments, as it is rapidly doing, the world will forget that the dispensation of commercial peace was ushered in by men possessing the shrewdest sense of self-interest. In

federated Germany to-day, for example, they extol the songs and traditions of the Rhineland, as prophetic of the unified empire which the mutual interests of the former dismembered states made possible and permanent. Yet the trust has done far more for Germany than the troubadour. So, too, in France the fall of the Bastile was less important than the rise of the factory. It will help to give us a sane and up-to-date realization of the tremendous changes being wrought in the world at present, if we will keep in mind that this new movement is devoid of all theory and romance. Nor should we too greatly deplore the fact hat reciprocity and peace are being made possible by leaders to whom dividends are far more significant than the Decalogue. Even Plato put the poets out of his Republic.

Few of the great eras in history have come in according to the schedule of the prophets, and there is no more inconsistency about reciprocal peace being introduced to the nations by the money changers than in the fact that a Christian astronomy gave pagan names to all the stars in the heavens. The world is filled with these dramatic inconsistencies. The Protestant fishermen

of Norway to-day let down their nets at the Banks of Newfoundland and gather the harvests of the sea for Catholic Portugal and Spain. The pagans invented powder, and used it to frighten off the evil deity, but when the Christian world adopted gunpowder the devil marched with the columns. The ancient nations looked forward to a Prince of Peace who should come trailing clouds of glory, but when He came, He rode into Jerusalem on an ass.

The term "standpatter" has in the United States for a number of years been a synonym for steadiness in statesmanship and conservatism in commerce. But the best word in time is apt to lose its original meaning. Centuries ago there was a philosopher named Duns — John Duns Scotus was his complete name, but his familiars, consisting of the scholars and thinkers of his time, called him Dr. Duns, and they became known as Dunsmen or Dunses. A careless phoneticism in the spelling of that day changed the term to Dunces. In that company, only men of proved learning were welcomed, but like the standpatters, they began to array themselves against the progress of knowledge, and in time the word

Dunce became a term of opprobrium. The men to-day who oppose reciprocal treaties with foreign powers have failed to realize that tariff walls, instead of being at the termini of trade paths, bisect them; that tariff wars are waged nominally against foreign powers but in reality against a commerce that is mutual; and that the fear occasioned by loss of trade works infinitely more industrial, commercial, and financial damage than the loss of commerce itself.

The actions of the financiers in the last two or three years in New York City are typical of the New Internationalism, and are in fact a part of it. In every large trust company in the American metropolis there are from one to five directors whose names appear on the board of some other trust company, and out of the directorate of the second company a number of names can be found that appear in the directing list of a third company or a third combination of companies. I have recently seen a table, prepared by an economic expert in the United States Government service, which shows that not one of the important financial houses of America exists unconnected with all the others. There is no accident in this inter-

ramification of interests. The result is that just as soon as some important bank or other institution is in need of immediate funds, a panic is averted by these lines of capital hastening to the aid of the embarrassed house. In 1906 one of the big banks of Chicago, through the criminal mismanagement of its president, was brought to the verge of ruin. Had it closed its doors it is possible that a panic would have started in Chicago and spread to other cities, even across continents. But New York interests met, and, without hesitation and at the outlay of millions, financed the disordered institution back to solvency.

I am not turning devil's advocate and defending the trusts, but whatever business wrecks line the path of their progress, they have, as I stated at the outset, brought about a peace more sure and a prosperity more abundant than anything foretold by the idealists. Moreover, when we find ourselves inclined to inveigh against the character of the magnates who are bringing about the world's new peace and reciprocity, we should keep in mind that the man who runs the corner store is apt to be built of the same kind of clay as the man who corners the market. The greatest serv-

ice of the international bankers and corporations is that they are banishing from mankind the fear of the coming of panics. Unhandicapped by the statesmen who mistakenly seek to increase the prosperity of their country by ruinous tariff walls, these masters of money would do for the world what at home they have done for London and New York, even despite the little senates and parliaments of the world. They are bringing about, under the ægis of Mammon, an Arcady of reciprocal relations.

One of these leading and very selfish geniuses, *apropos* of the pioneer work which had made possible his far undertakings mauger the short-sighted position of Congress, said to me:

"We have been fighting the elements ahead of us and the fools behind us."

To any observer of international latter-day conditions it seems incredible that statesmen in any part of the world would attempt to establish finally legislation in disregard of economic conditions in foreign countries. Almost any day in the year the headlines in the commercial dailies of New York give graphic insight into the financial unification of the nations. On October 20,

1906, the New York *Commercial* in the fifth column on the front page contained the headline:

JUMP IN LONDON DISCOUNTS SMASHES STOCK PRICES.

And the opening paragraph read:

> The New York stock market yesterday, confronted with an unexpected advance in the Bank of England rate of discount, from five to six per cent, broke sharply, the leading stock declining 1 to 7 points shortly after the opening.

Another paragraph stated that trading during the first hour, when the break was at its height, was in large volume, more than 620,000 shares changing hands, or at the rate of 3,000,000 shares for a full five-hours' session.

Macaulay calls attention to the fact that in the closing years of the seventeenth century there were men living in England who remembered when there was not one bank in London. "So late," he says, "as the time of the Restoration, every trader had his own strong box in his own house, and when an acceptance was presented to him he told down the crowns and Caroluses on

his own counter." Panic, under conditions of that kind, did not travel fast. The great Spirit of Credit, which has built up the commerce of modern times, and particularly that of the last decade, was practically unknown.

In a comprehensive review of panics in one of the new American works of reference the following conservative statement indicates the impossibility of one nation safeguarding its prosperity behind its own tariff barriers.

"General crises," states this authoritative work, "affecting the economic situation of an entire country, and extending themselves to other countries which have trade relations with the former, are peculiarly a mark of modern business organization. A century ago bad harvests or other calamities might cause local distress, or speculations such as was exhibited in the days of the South Sea Bubble and the Mississippi Scheme might cause a panic, but such occurrences did not show the pertinacity and wide-reaching effects which characterize modern industrial disturbances. That such crises are inevitable consequences of modern methods of doing business, and inseparable from the economic activities of our time, seems to be

well established by their frequent recurrence and by their severity in the most advanced nations."

That review attempts to explain the phenomenon that the most prosperous nation is the one most affected by panics on the ground that the country progressing the fastest is involved in the greatest number of economic changes, and that therefore the disturbance in such countries covers the widest possible field. That is but a partial explanation. The real secret is that these changes represent vast undertakings whose chief asset is the self-reliance of their promoters and the faith reposed in them by their fellows. The mere millions that we should lose in a tariff war with Germany would not in themselves be sufficiently important to warrant a panic, but the failure of houses dependent upon that trade could readily open the door for the escape of the specter, and at the sight of this apparition of terror—for in a country where crops are prodigal it is only an apparition—the strongest hands at the helm of Commerce tremble, and the shipwreck of national prosperity becomes possible. There is the deepest and most practical wisdom in establishing reciprocal dealings with all the trading nations,

whether we wish to extend our commerce abroad or not. No American statesman with the interest of his country at heart would, if he familiarized himself with the financial history of the past decade and a half, remain indifferent to the necessity and to the large opportunity of dignifying his Americanism with an international perspective. On a Friday morning, thirteen years ago, the Bank of England announced that it had raised its rate of discount from five to six per cent. There was mysterious portent of panic in this placard, instantly hung in all the Bourses of Europe and on the Stock Exchange of New York, and by Wednesday of the following week three of the leading banks in the American metropolis were unable to meet their obligations at the Clearing House.

CHAPTER V

THE COST OF COMMERCIAL CONFLICT

RECIPROCITY, as popularly understood, is not written with the Big Stick. But there is another side to reciprocity, and "an eye for an eye, and a tooth for a tooth," is one form of reciprocal exchange. The new order of international economics is reciprocal in the best sense. Reprisals which are provided for in reciprocal tariffs are a challenge to battle. Rather, they are in themselves the first volley of the conflict which invokes the coöperation of armies and fleets.

The advocates of reciprocity, like the proponents of peace—and both are sponsors for kindred phases of the same economic gospel—have failed to emphasize the appalling loss sustained by the victorious as well as the vanquished power. Nor is this loss measured in the curtailment of commerce, in the case of reprisals, nor in the direct burdens shouldered upon a nation by war. It is

the paralysis of initiative that constitutes the real scourge of tariff wars and military conflicts. We can trace the definite liabilities of failures, but we cannot appraise the far greater desolation wrought through the fear of failure—the tying up of capital and the annihilation of individual faith and energy. For example, in the five years beginning with the panic of 1893 there were more than 70,000 firms in America forced into bankruptcy, with liabilities exceeding $1,000,000,000. Here is the precise record:

FAILURES IN THE UNITED STATES

YEAR	Number	Liabilities
1893	15,242	$346,779,889
1894	13,885	172,992,856
1895	13,197	173,196,060
1896	15,088	226,096,834
1897	13,351	154,332,071
Total	70,763	$1,073,397,710

But no man can estimate the greater unrecorded injury caused by the spectacle of this American collapse. Houses that were solvent to-day closed their doors on the morrow. Confidence was gone. Panic, confusion, and paralysis utterly demolished

the splendid superstructure of credit that prosperity had built high.

Many short-sighted public men minimize the destruction spread over this continent by the panic of those years on the ground that simultaneously our exports of manufactures increased. According to the Government's revised classification, the exports of manufactures during those five years of commercial stagnation at home were as follows:

Year	Total exports of American manufactures
1893	$129,938,284
1894	135,659,274
1895	143,244,969
1896	181,789,157
1897	212,959,122
Total	$803,590,806

This is $200,000,000 less than the sum of our failures for that period. The profit on that foreign trade is estimated at less than twenty per cent. But giving allowance for a possible maximum profit of twenty per cent, the net returns to American enterprise amounted to about $32,000,000 annually. Forty years of such traffic would

barely atone for the losses sustained in our five years of panic, a panic that began in the downfall of securities in the distant Republic of Argentina.

It will be remembered that this panic was forced upon America through no direct tariff advance on the part of the United States, although it is probable that if America had been less inattentive to the development of the Latin-American republics and had displayed a policy of reciprocal interest in their welfare, the downfall of our industries might have been averted. The orderly and material progress of Argentina would have prevented the later economic ruin of the United States. Our Government, had it stepped in there, as it has now done in San Domingo, would have saved the people of our own country not only the recorded loss traceable to the panic, but that far greater financial and industrial injury produced by the threatening of enterprise and faith.

Under the rule of the War Lords and the militant statesmen of the earth, the international relations of the combined powers of the world, weighing the profit in commerce against the cost of fleets and armies and the interest on the heri-

tage of former wars, are conducted only at an enormous loss. A few countries are actually prospering by foreign trade, but the nations as a whole must, after diverting all the gain derived from foreign traffic, add thereto lavish sums from their domestic prosperity, in order to maintain the military equipment which commercial fear, more or less fanciful, demands. A few figures will illustrate this dramatic fact.

The export trade of all nations combined amounts to less than $12,000,000,000 per annum. Exporters in various parts of the world have shown me that the profit on that commerce amounts to between ten and twenty per cent. If we accept twenty per cent the profit on the world's export commerce in the latest year is $2,400,000,000.

The latest figures show that the military budget of the nations was $1,975,162,000. To this must be added $120,000,000 for the interest on the great war debts. Moreover, the annual interest on all national debts, largely for expenses of war —war permitted by statesmen in the fanciful interests of commerce—amounts to $1,417,532,000. Thus the hostile side of commercial reciprocity has

saddled upon the combined nations an annual burden of at least $3,000,000,000, and we have seen that the profit on international trade in a year is $2,400,000,000. Thus the foreign relationships of nations, despite the increasing passing of cargoes, is in this civilized day creating an annual deficit of over half a million dollars annually.

In June, 1906, John Burns, member of the British Cabinet, called attention in a speech at Manchester, to the fact that in the past ten years England had spent $2,500,000,000 in war. He stated by way of corroboration that it had taken 25,000 municipalities of the United Kingdom 100 years to spend $2,500,000,000 on 2,000 gas works, water works, markets, tramways, and electric-light undertakings.

It is easy to convince Americans, accustomed to looking upon our country as a peace-loving nation, that the military budgets abroad are draining the Old World of its financial vitality. It will astonish many citizens of the United States to learn that in the table of relative military and naval expenses, including the sums spent in different countries for pensions, and all amounting, as stated above, to nearly $2,000,000,000, exclusive

of interest on national war debts, America heads the column.

The latest figures are $359,000,000 for the United States, $346,000,000 for Great Britain, $241,000,000 for Russia, $238,000,000 for Germany; and all this in times of peace!

I have maintained over and over again that in this age, when all national statistics loom large, they are valuable and illuminating to the statistician only when used comparatively; and we find much jubilance in our land over the 1906 record of exports of manufactures to the nations from America. They amounted to $459,000,000 in value—only $100,000,000 more than we paid out for the army and navy and a patriotic company of pensioners. If we take twenty per cent of the value of our export trade and manufacturers as profit we have an annual net return from this fancied invasion of foreign markets of less than $92,000,000 a year.

Our entire export trade in the fiscal year 1906, including all our cargoes of raw materials, which make up the bulk of our foreign trade, amounted to $1,717,000,000. The profit on that was about $346,000,000, or $13,000,000 less than the cost of

our own military establishment, including pensions! The advocates of peace have conducted a forlorn campaign in dwelling only upon the beatitudes of the *régime* they have sought so ineffectually to bring about.

In the summer of 1906 I visited the Peace Pavilion at the Exposition at Milan. Its walls were adorned with pictures showing the horrors of war, and with printed quotations from the poets and philosophers. There was, for example, an excerpt from the writings of Victor Hugo, setting forth that the day will come "when a gun will be exhibited in the museums as an instrument of torture is now shown, and the people will be astonished that such things were ever possible." And here, in this little building dedicated to peace in the capital of Lombardy was a unique demonstration of the internationalism of letters in a quotation from Elihu Burritt. "People may laugh," he wrote, "at the plan of arbitration, but in my opinion the warlike plan is infinitely more ludicrous. The inequality of heroes, inequality in the power of holding the sword or disparity in the strategic faculties of different generals, are circumstances which the merest child can under-

stand have no connection with justice or national honor."

But in the entire exhibit of this Peace Society there was not a figure to show the economic folly of war. And next door to the Peace Pavilion was the exhibition of the Russian Empire. Here was an opportunity for the promoters of arbitration to demonstrate the fact that the nations in rejecting peace and reciprocity are traveling the road that leads to industrial and financial and commercial ruin. The picture of a laureled conqueror astride a horrible beast, symbolic of War, and advancing in stately unconcern over a vast field of naked Death, with the flames of burning nations in the distance, doubtless appealed to the visitors whose artistic perceptions had been sufficiently trained to enjoy it, and the mottoes culled from many lands were as interesting as a scrap-book. But had the Exposition at Milan informed the world that the foreign relations of the nations as a result of their mutual fear were costing them vastly more than they were profiting by the totals of their international commerce, this Peace Pavilion would have become an international commercial college.

I have already spoken of the remarkable re-

cuperative power of the modern state employing the dynamic agencies of mechanics, instancing the triumphal arrangement of the French in liquidating in three years the billion-dollar war debt imposed by Bismarck. A more recent example is found in the reconstruction of San Francisco. Earthquake tumbled that city down in April, and fire completed its desolation. In October of the same year the bank clearances of San Francisco exceeded the record of October of 1905.

It is true that many of the statesmen of Europe have become alarmed at the cost of war preparation in time of peace. Lord Lansdowne, astounded at the multiplication of armaments, recently exclaimed, "The moment may come when the people of England will prefer to eat their daily bread in fear rather than starve in security."

But the alarm voiced by these patriotic leaders, while indicative of the wholesome trend of advanced statecraft, is not yet justified. The $3,000,000,000 spent annually to preserve the military strength of nations, and to pay the pitiful annuities of their maimed veterans, amounts to less than one per cent of the appraised wealth of the world. It is true, as I have pointed out,

that this drain exceeds the profit of foreign commercial intercourse. Compared with any phase of external trade, the cost of perpetuating the hostile attitude of the powers is enormous. If all nations could absolutely retire behind their political boundaries, annihilate all foreign traffic, and settle down to the development of their resources, unhampered by alien fear, the world's prosperity would be increased. It would lead to many migrations and to the re-alignment of manifold industries, but the elimination of the world's annual deficit, now caused by the fear of foreign dangers, would add to the totals of international prosperity. Obviously, that is a fantastic picture. Any pronounced artificial derangement must in this age invariably produce paralyzing panic. Intercomplexity of nations in all their relationships grows daily. Every hour's use of the cable in commerce effaces some political frontier.

Meanwhile the men of blood and power, who are trying to safeguard, as they suppose, the wealth of nations, create armies and fleets to protect commerce from an imaginary foe. The promoters of great industries in Germany do not need the Kaiser's legions to protect them against

the financiers of France, and they are the real rulers of that Republic. The money kings of New York want no war waged against Mexico, where Wall Street gold is operating mines and railways. American capital sailing under the British flag does not want the Union Jack pulled down.

The modern war programme constitutes a monumental folly. It maintains at the cost of incredible billions a destructive equipment which constructive finance and industry do not need. It is a spectacular patrol around walls that have been leveled. It is a sullen and desperate assertion of madmen trying to control the sane. Financially, the world is one, but the statesmen and monarchs squandering the world's wealth for armies and armaments do not know it. Theirs is the real frenzied finance. Once the complaint was against men who cried peace when there was no peace; now the bellicose captains are crying war when all the world desires peace, including the very nations that support the disturbers of peace. While all industrial nations are calling for labor, the military system withdraws from fields of industry 5,000,000 officers and men, while the war footing numbers no less than 39,000,000. It is as if

nearly half the inhabitants of the United States were reserved for battle. This war footing of the nations exceeds the entire population of France!

It is fortunate that the financier studying foreign quotations has become more of a force than the ambitious general poring over topographic maps. The countries that borrow to develop industries have established an everlasting truce with the countries that lend. The new covenants of peace and reciprocity are not on file in the departments of state. The vault of the modern financier has come to be a depository of more significant international secrets than the pigeonhole of the politician. The new rulers cannot yet send the foolish armament of nations to the scrap pile, but they will see to it that battle ships and armies do not permanently block the paths that lead to international prosperity.

Neither the cost of war, great as it is, nor the economic waste in diverting the lusty youth of nations from the ranks of the employed, will estop the militant show. So wealthy and resourceful is the world that it can continue, if it cares to, for another century at least, keeping up at prodigal

expense the hippodrome of war. It would seem that the ludicrous array would be checked, when it is shown that the system designed to safeguard international commerce costs more than that commerce is worth. Convoying cargoes at an annual loss of $600,000,000 ought to seem comical even to the knights of the sorrowful countenance who imagine they are advancing the cause of commerce. But our modern Don Quixotes at the head of fighting forces, our stand-pat statesmen, issuing their unillumined and reactionary ultimatums, and the advocates of forlorn peace upon terms of bloodless fellowship, are all, strangely enough, out of touch with the real forces making for international comity and progress.

The peace department of the American National Council of Women has prepared at great pains a striking table of the cost of war preparation and war debt interest in times of peace. This compilation sets forth that $1,000,000,000, packed solidly like the leaves of a book, would make a pile fifty-two miles high. And the world's war expenses in tranquil times amount, as I have stated, to $3,000,000,000 per annum. A stack of dollar greenbacks, more than 150

miles high, is a staggering sum to waste every year, not to speak of the vast sums lost to prosperity through the withdrawal of millions of the able-bodied youth of nations from productive activities.

It is unique that a body of women idealists have taken an advanced and practical step in teaching political economy to the powers. But they have not sufficiently regarded the latter-day wealth of the mechanical nations. Adopting and continuing this picturesque illustration, it may be said that if an oblong hole, the size of our paper money, were sunk from New York to the earth's antipodal crust, and the wealth of the world, reduced to dollar bills, were packed in this well-nigh bottomless pit, there would be enough dollar bills left when the hole was filled to rear a pile on top of it, reaching 16,000 miles into the air. We can, therefore, burn up 150 miles of paper money every year without seriously feeling it.

In this age the national financial statistics that reach only into the millions column are not impressive. Domestic commerce in the United States, for example, amounts to at least $30,000,000,000 annually, and the bank clearances nearly

$150,000,000,000, and these huge totals by no means represent the whole volume of our continental trade, for billions of dollars involved in retail transactions are unrecorded.

No argument in favor of the desirability of international funds and mutual interchange of products will ever be fully convincing until it takes into consideration the incredible losses sustained through panics and contraction of enterprise. In fact, universal disarmament, while a desirable preliminary, would not insure universal prosperity. Independent innovation would make foreign traffic profitable, but after a nation had built up an enviable prosperity through domestic and foreign trade, it would still be at the mercy of any panic originating at the terminus of the world's remotest cable. The menace of armed invasion is less serious than the fear spread abroad in the land by the amorphous and shadowy emergence of panic. The same phenomenon may be observed in battle. A hundred thousand men drawn up in the full light and panoply of war inspires less terror than a small force shooting unexpectedly and mysteriously from ambush.

Fortunately for the progress of all lands, the

New Internationalism is every year making panics more difficult. The one thing needed on the part of statesmen to complete this amalgamation is the formulation of treaties designed to promote the reciprocal exchange of cargoes.

If the maintenance of great armies and uncompromising tariff walls and the defiant attitude of patriots, could keep out the only real danger that threatens any modern nation, no war expense would be too prodigal, and no barrier too high. The world could afford then to run its foreign trade at a loss. But the mysterious forces of panic penetrate all barriers. In a sudden whirlwind, panic rides over the hosts of war and leers at the casuists sitting at the receipt of customs. The vigil of no one nation can stay its devastation. It withers at a breath the prosperity of a generation. In the destruction of Sennacherib, Byron found the theme of a tragic masterpiece. Equally suggestive of a modern poem of power is the annihilation, at the unseen hands of panic, of the confidence, security, and solvency of a nation.

And so, though conscious of their self-seeking, I return to commend the captains of the new era

of peace, who, without consulting ministers of state, have been drafting world-wide charters of business and merging the industries of nations—nations whose blind counselors are urging them toward commercial war. The real commands that are beginning to be cabled around the world are not couched in Upton's code. Reciprocal dealings, not reprisals, are fast becoming the unwritten international law. And the strange thing is that the new Golden Rule, the financial axiom of give and take, which must ultimately result in the federation of the nations, is being engineered under the practical management of men to whom the balance sheet has more meaning than the Bible.

When we maintain indifference to the tariff changes of Germany and other lands, and to their new policy in foreign commerce, we display an empirical and visionary outlook not unlike that of the peace proponents who cherish the baseless dream that Arcady on earth will come about through the parade of sonorous sentiments on the horrors of war.

If the American world realized the full cost of international hostile relations, the peace parlia-

ments might suddenly assume a far more practical character. The $3,000,000,000 paid out annually in times of peace by no means measures the burden of commercial conflict and commercial fear. The destruction of property, the disturbance of trade, and the paralysis of enterprise, already referred to, are not represented in official statistics of war and the fear of war.

Since the beginning of the modern age we have had the Crimean War, the Civil War in America, the Austro-Prussian War, the Franco-Prussian War, the war with Turkey, and the Boer-British war, representing a direct traceable loss of more than $20,000,000,000, and an indirect waste amounting, it is estimated, to more than double that sum. These sums are, of course, prodigious, and it is likewise an appalling economic fact that the expense for maintaining the militant *régime* in times of peace is increasing at a more rapid rate than the profit on international commerce. What seems to justify the fear that the nations will continue along this road until they become absolutely involved financially, is the fact that the equipment of one year becomes, from the swift strides of invention, fit only for junk the

next. One of the leading authorities of England, after the victory of the Japanese squadron, warned his own nation that the war ships of Britain were falling behind the procession in point of efficiency, and the latter part of 1906 witnessed the launching of a later pattern of battle ship in English waters.

An eminent American admiral issued a similar warning concerning the naval equipment of America. But although the expense of maintaining these foolish fleets and armies drains away more than all of the profit of the cargoes that cross the seas and the loaded trains that post along political frontiers, it is folly to imagine bankruptcy of the leading powers. Until the cost of armies and navies equals or exceeds the splendid domestic production of the nations, never will the statesmen who order these battle ships be restrained in their theatrical patriotism. Every year will witness an increase of the taxes on land to provide for the military price of peace. This, of course, will be felt slightly as a burden, but it figures more in the phrases of impassioned orators and indignant pessimists than in the calculations of the individual citizen in any part of the world.

CHAPTER VI

EUROPE'S WEALTH AMERICA'S OPPORTUNITY

ALL the nations west of the Danube have money in the bank. When we say that America is the richest country in the world, we are right. We should, however, contrast the continent of Europe with the continent of America. That will reveal the real opportunity abroad.

Here is the latest estimate of the wealth of the leading nations:

Great Britain and Ireland	$58,200,000,000
France	50,800,000,000
Germany	48,000,000,000
Russia	35,000,000,000
Austria-Hungary	20,000,000,000
Italy	13,000,000,000
Belgium	6,800,000,000
Spain	5,400,000,000
Netherlands	4,500,000,000
Portugal	2,500,000,000
Switzerland	2,400,000,000
Total	$246,600,000,000

There is not a country, whether republic or empire, in Europe outside of Russia as large as the single State of Texas. Not all of these countries together are as large as America. Comparing the "United States" of the Old World with the United States of the New, an astonishing revelation is presented of prosperity abroad.

The wealth of the United States is $110,000,000,000. It will be seen that the wealth of the Old World is more than twice that of the New. When statesmanship shuts out trade from the markets of Europe it is closing against us the most alluring field progress has unrolled. Reciprocity with Europe along the paths of peace would vastly multiply the already numerous fortunes of both hemispheres.

The latest compilation of the wealth of European countries in detail shows that combined they have more than twice as much money as the United States invested in transportation, nearly half a billion more than we have invested in mining, almost one hundred per cent more in manufacturing than America with its almost incredible industry can boast, and two hundred per cent more agricultural wealth than the United States.

Whoever believes that the inhabitants of the Old World have been reduced by kingcraft to beggary has not kept up with the international advance of the past ten years. I saw but one tramp in all my travels in Europe in 1906, and he was contentedly drunk on a bench in the suburbs of Vienna!

Italy, which we formerly were wont to regard as a land of memories and beggary, has become a great industrial nation. The water which for centuries has run to waste down the Alps and the Apennines has been diverted to the uses of machinery. This power is supplying industrial colonies throughout all the states of northern Italy. In the ports of Italy I was accosted by only one beggar, and he was a British sailor stranded in Genoa. The American Consul-General, Mr. James E. Dunning, of Milan, called my attention to the annual report of the meeting of the great Banca Commerciale of that city, a house which has a capital of $21,000,000, and whose prosperity has attracted the attention of financiers throughout the world. This bank in 1906 declared three dividends—one of five per cent, one of eight per cent, and the third of nine per cent.

The report states that the bank has an ordinary reserve fund of over $4,000,000, and a special reserve fund for extraordinary uses of $2,500,000. The total business of the Milan bank was $2,000,000,000 for the year, and including the various branches throughout the kingdom $6,500,000,000! Six and one half billions is a big figure, and is equal to the value of the annual harvests of America, and American jubilance can scarcely grasp anything more colossal than that.

Throughout Europe in 1906 crowded expositions of many kinds testified to the leisure and ready money which prosperity had yielded the inhabitants of the Old World. One Sunday, after a strenuous week among the thundering industries of Germany, I took a train to the classic city of Nuremburg. I imagined that its moats and picturesque castles of the Hohenstaufens would be a restful change from the rushing factories and trains of modernized Europe. I was greeted in this old center of Bavarian romance with a great surprise. I counted twenty-three tracks in the railway station at Nuremburg! Extensive machine shops, chemical works, and modern factories of every kind surround the city. The

railway depot is an enormous structure built beautifully of granite and sandstone, and finished within in fumed oak. The station *café* was as attractive as Delmonico's. Just across from this modernized and prosperous railway station loomed the old town tower built back in the days of Barbarossa and destined to stand forever. There was a suggestion in this that the traveler in moving out with the throng that poured from every exit of the depot was about to leave modernity behind, but just over the moat and around the corner of this famous tower I ran into a typical Sunday crowd surging in and out of an up-to-date "Automat," where everything from souvenirs to postal cards, cigarettes, cigars, coffee, beer, and ice cream could be had by dropping a ten pfennig piece in the slot.

All along the thoroughfare of this ancient town were tiled precipitous roofs and picturesque balconies and quaint old windows. I imagined I was walking surely through the past, but everywhere crowded restaurants and crowded street cars, modern and electric, showed that I was in the present.

I went up to the mediæval stronghold of Bavarian kings, and looked across the roofs of a gray city, gray even on Sunday with the smoke of industry. I rode into the suburbs and found myself one of the many hundreds proceeding toward the Industrial Ausstellung or Exposition. It was a peace jubilee, a triumph of all the inventions and industrial successes of Bavaria. An imposing midway plaisance, flanked with many modern allurements, ran through a picturesque forest of young birch. In one of the pavilions, as I entered, was a safe in which the Exposition authorities had deposited 100,000 marks to be awarded to the person who should come the nearest to guessing the number of attendants. Instead of a leather-tongued barker outside to call attention to this chance, two attractive frauleins handed the crowd circulars explaining the lottery, and sold tickets for a mark. The entire Exposition grounds were crowded, and the crowds were all European and were spending European money. I did not hear a word of English spoken that day, nor was there throughout the many buildings devoted to industry and industrial art a single commodity or contrivance from the United States.

Everything about Nuremburg, its stores, its *cafés*, its automobile cabs, its factories, its rushing railway traffic, its Exposition, and its crowds, bespoke a sturdy prosperity wholly independent of America, and which America has totally ignored.

The World's Exposition at Milan was not, at least in the height of summer when I was there, the success the nations anticipated. The best building, containing the exhibit of Hungary, was carelessly permitted to burn down. The chief reason for the indifferent success of the undertaking was that it was held in the summer time, and the notorious heat of the plains of Lombardy halted the tide of travel at Lake Como and the waters of Switzerland. But the fact that an ambitious World's Fair was held in Italy at all was an indication that that country is advancing with all the others. Nor was the Exposition a failure; and the fact that it was mainly patronized by Italian people themselves is significant. It was undoubtedly the climate, not the inaccessibility to Milan, that kept out the foreigners. The Simplon has made Milan nearer to Paris than Chicago is to New York. Crossing the mountains of Swit-

zerland I met a wholesale merchant of Milan, an Italian who spoke English, which he said he had learned with the aid of Longfellow's poems and a dictionary. He admitted that Italy had made a mistake in opening this Exposition in Milan at a time when the traveling multitudes were hunting the high places.

One of the unmistakable signs that Europe is spending vast wealth, which America has made no definite effort to harvest, is the unending travel on Old World railways. Joaquin Miller has called America a nation of train catchers. The expression equally fits the nations of Europe. Professor Atwood, Secretary of the American Board of Trade in Berlin, who has made a study of world travel and trading, assured me that every transportation company in every nation has been successful when well managed.

It is a remarkable fact at least that cars in every country in Europe are packed with people day and night, and these are not immigrants seeking a foothold in more prosperous sections. Wherever I traveled I was surrounded by money-spending Germans, Frenchmen, Italians, and Austrians. I had to hunt specially advertised

hotels to encounter British and Americans. Although the Anglo-Saxon cuts a figure in the literature of European travels, the vast multitude of sight-seers is made up of continental citizens. In Germany unless I sent the "packtragger" to the station at least half an hour in advance of the train's departure I could not get a seat, and this was true of both first- and second-class coaches. Expensively dressed men and women crowded into the cars, and raced excitedly up and down the side aisle, peering into the packed compartments. At the station in the rich, dignified, and artistic capital of Saxony, I encountered at midnight a congestion of humanity not unlike the afternoon crush at Brooklyn Bridge. To make certain of accommodations in the international dining-car, even in the trip across to Budapest, it was necessary to secure a reserved seat in advance. In most of my travels I was the only American. Americans go to Europe, of course, in great flocks, and spend in the Old World, it is estimated, all the way from $100,000,000 to $200,000,000 annually, but they constitute an unconsidered total when the great aggregate of European travel is computed. In Germany alone, for example, 900,-

000,000 passengers are carried in a year! The gross earnings of the German railways amount to $500,000,000 per annum. That empire has $3,000,000,000 invested in railways. Hungary has expended $590,000,000 in railways. The total railway lines of Europe measure nearly 200,000 miles. Italy, which nationalized its railways in 1905 at a cost of 500,000,000 lire, has appropriated $6,500,000 for the building of a new railway station at Milan. In that city, I stopped at the Palace Hotel, and I was kept awake almost all the hours of the first night by the industrious turbulence of a unique switching contrivance in the near-by Milan railway yards. Milan is on the route of the great travel arteries of Europe, and trains arrive and depart at all hours, branching from Milan in every direction. It is a great switching center. Instead of the customary American method a donkey engine on a little platform, just big enough for a single car, travels at right angles across the acres of tracks in the Milan yards. The car to be switched is pulled by a cable upon this platform, and away the donkey-engine pilot starts for whatever branch line is desired. There, in the twinkling

of an eye, the detached car is shunted from the moving platform.

The whole scene of Milan, day and night, suggested the most throbbing activity and prosperity. Street cars clamored in every direction. The jangle of bells, the hooting of engines, the siren shrieks of automobiles, told of a great city at labor and pleasure. America's inattention to this field was shown by the entire absence of a national exhibit from the United States at the Milan Exposition. There was at this fair a few American firms represented, and one of them, attempting to compete with the celebrated government brews of Bavaria, just across the Italian border, had on exhibition bottled beer from Milwaukee and St. Louis.

Hungary, from which Germany expects to get its breadstuffs, should a tariff war shut us out of the market there, is a great producer of wheat. It has eleven secret processes of making flour, and no visitor is permitted in the mills. So great is the demand in prosperous Europe for the Hungarian output, that these mills do not stop even on Sundays. The overwrought workmen, when I was in Budapest in August, 1906, went on

a strike, not for higher pay, but for one day of rest in seven.

So prodigal was the harvest of grapes in southern Europe in 1906 that any man who brought two empty barrels to a vineyard could carry one barrel of wine away free. Elsewhere I have spoken of the expansion of one of the leading banks of Germany. Similar success has attended numberless financial houses of the Old World. The Disconto-Gesellschaft with offices in Berlin, Bremen, Frankfort-on-the-Main, and London, has a capital fully paid of 170,000,000 marks, and reserves amounting to 57,000,000. Like most of the European banks, it has succeeded in internationalizing its financial interests, and has established connections in Rio de Janeiro, Valparaiso, Santiago, Buenos Ayres, Shanghai, Calcutta, Hankow, Yokohama, Bucharest, Sofia, Swakopmund, Windhuk, and Lüderipzbucht. Let the man who is unconvinced of the foreign migrations of capital and the meaning it has for the solidarity of nations consult the map.

Finance has become the new world power. Gold has always compelled adoration, but nowhere is its potent strength recognized more than

in Europe. In Budapest, when you enter a bank, you remove your hat.

From 1890 to 1905, the banking power of foreign countries rose from $10,000,000,000 to $19,000,000,000. The aggregate stock of gold, silver, and uncovered paper currency in the world amounts to $12,510,000,000. The figures for 1904, prepared by the United States Government, show that that sum is divided as follows: Gold, $5,987,100,000; silver, $3,130,400,000; uncovered paper currency, $3,392,500,000. The following table shows the distribution of the world's gold:

United States	$1,348,200,000
France	926,400,000
Germany	886,700,000
Russia	783,700,000
The United Kingdom	533,200,000
Austria-Hungary	305,000,000
India	263,900,000
Italy	131,400,000
Australasia	128,600,000

Thus it is plain that by far the greater part of the gold in the world is in Europe. Reverting in passing to the possibilities of panic, the existence of nearly $4,000,000,000 worth of uncov-

ered paper currency indicates how indispensable it is to the progress of international prosperity that the credit of nations be not impaired.

That $4,000,000,000 is not represented by gold or silver. The only thing that gives it value is the superscription of the nation that issues it. The collapse of countries backing up this paper money would remove at a blow one-third of the world's circulating medium and would produce universal economic ruin.

The country that has the greatest per capita wealth is France. That country in 1905 provided Germany with 1,000,000,000 marks to finance industrial undertakings. France loaned money to help Russia fight Japan, and after the war, sent millions to the Sunrise Kingdom to help that country recover from the cost of victory. In 1905 France supplied the United States with $150,000,000. The Bank of France always has $600,000,000 in its vaults. Altogether, France has loaned $15,000,000,000 to the nations, and for that vast sum, which could not be paid at one time, for there is not that much money in the world, it holds the promissory notes of all the leading Powers. This vast indebtedness, rapidly making the in-

terests of all lands mutual, has been nearly all piled up in the last decade. It indicates not the poverty but the credit of nations. They can borrow incredible sums, because of their unlimited ability to repay. The past ten years have witnessed a world saturnalia of success.

What will appeal to American business promoters looking for capital is that France produces an annual surplus of $500,000,000 for investment. The president of an American railway, who has financed a number of undertakings on this continent with European funds, stated in September, 1906, "Any sound loan can be placed in Paris on short notice."

Not only in finance, but in all lines of business, the expansion of international ventures originating in Europe tells of the large possibilities of that continent. The truest thing that has been said of modern Europe is that it is new.

An American financier, who went through Italy and marveled at that country's industrial awakening, exclaimed that the Roman of to-day finds himself in a newer country than the one that Cæsar ruled. There are more factory chimneys than cathedral spires in modern Italy.

The business genius and the venturesome gold of Europe are even transforming the Egyptian wilderness. The foreign trade of that country in 1895 was valued at $106,000,000. In 1905 it was $209,000,000. A report issued by the United States Government, calling attention to the decline of American exports to Egypt, tells of irrigation pumps installed at the foot of the Pyramid of Cheops, and states that the Sphinx, after gazing for centuries on sand, will hereafter look across green fields. While France has established flour mills in Alexandria, and Belgian firms have secured contracts to put up building blocks, construct water systems, and extend railways, and while Germany has side-tracked the American locomotive, American manufacturers, the Government report regrets, "have not yet realized that the Egypt of the twentieth century is not the Egypt of the Pharaohs."

Wherever European enterprise has gained a foothold prosperity has followed, and this, as I have shown, is a great truth that applies only to the intense modern age of internationalism. There are two German steamship lines whose combined tonnage is as great as America's entire

ocean steamship tonnage. One of these, which runs great ships to the leading ports of all continents, and which has its own piers and settlements in Havre, Cherbourg, Montreal, St. Thomas, Para, Hong Kong, Shanghai, and Hoboken, started in with four little craft, and so fearful was provincial capital before the modern period of cables and perfected steamships, that the sixty shares of the company had to be peddled to forty-one bankers. Before the first vessel was launched by this company many of these shareholders grew panicky, reconsidered the bold step they had taken, and either canceled their subscription or shrewdly transferred it. To-day that one company enjoys a capital of 150,000,000 marks.

The material advance of Europe, as represented in the growth of great companies, has not been at the expense of America. It has not been by the subjugation of any land. When Egypt, for example, came under the control of Europe, instead of, as in old time, looting the prostrated state, the Powers immediately began to pile up Egypt's prosperity. The familiar term "conquest of markets" is a misnomer, for it implies some form

of subjugation. There could be no permanent gain to America in any character of trade conquest abroad that resulted in injury to the land invaded, or that caused an industrial disturbance in neighboring lands. The prosperity of Europe beckons to American genius. The introduction there of many commodities which the Old World has not yet been taught to use, gives promise of increasing profit. Finance has paved the paths well, through all nations, and commerce is rapidly following. Armies and frowning tariff walls and politicians of narrow view are the only remaining obstacles to universal diffusion of the world's wealth. We have the goods; Europe supplies the opportunity.

CHAPTER VII

OUR FANCIFUL PICTURE OF FOREIGN TRADE

ONE of the reasons why reciprocity is opposed is that America imagines it has built up a splendid foreign commerce, and that having preserved and extended that trade without making tariff concessions, it is obviously not necessary to make overtures to the Powers. The picturesqueness of many of our cargoes has appealed to the American mind. Hamburg at times has cabled to Chicago for sauerkraut. California has sold Rhine wine to France. Ireland has imported potatoes from Maine, and files made in Providence have been sold in Sheffield. All of this gives piquant emphasis to prideful speeches and essays, but it is significant only of one phase of Internationalism. Over our tariff wall erected as a barrier against foreign goods, we imported in the fiscal year 1906 dutiable articles valued at $676,939,965. That

was $217,000,000 more than the value of our manufactures sold to all foreign nations.

There have been many optimistic arguments that the loom beside the cotton field has an advantage over the loom across the sea. Theoretically America, with its thousands of miles of seacoast indented with fine harbors, should send its ships to supply the nations with cotton goods, since we produce three fourths of the earth's raw cotton. But note the facts. Switzerland, whose valleys produce no cotton, and whose mountains yield no coal, exports to the United States a greater value of cotton goods spun in factories that burn coal, than America, with all its vast plantations, its fuel, its seacoasts, and its ships, sells to all of the Old World put together! The spectacle of this little half-frozen republic on the roof of Europe, possessing not an inch of ocean frontage and without a single plank afloat, forging away ahead of continental America in the race for cotton markets, indicates the absurdity of our claims to foreign trade.

Considerable importance was given to the unquestionably interesting fact that the banner floating over the Mikado's palace, and the Union Jack

on Windsor Castle, were both held to the breeze by a flagstaff cut near Puget Sound. It seems amazing that such a statement should beguile the American mind from the serious statistics of totals in foreign commerce. Such bizarre triumphs can easily be matched in exports from other lands to America. Our Fourth of July celebration of the founding of a Christian democracy is made glorious with fireworks exported from the pagan Mongolian Empire.

If the traveler will look vigilantly enough he will find American cottons on the coast of Somaliland. In Abyssinia a certain kind of American cotton is a standard of money, probably because of its scarcity in that region. It is pleasing to the American ear, this news that the slaves of Africa, the camels of the desert, the reindeer of Lapland, the llamas of Peru, the yaks of Thibet, and the dogs of the Arctic Circle, take up freight where the roads terminate and carry American goods to the limits of human habitation, but whatever goes to these distant parts of the earth from the United States is a triumph of enterprise on the part of the buyer. America has not sought this traffic.

We are indifferent even to the trade opportunities that lie at the door of the Atlantic. We have permitted our exports to Brazil to decline; our entire trade with South America is a pitiful fiasco. Argentina alone buys more textiles from Europe than we export to the whole world, and the value, moreover, of these textiles bought by Argentina exceeds the value of American commerce of every description going into all the ports south of the Isthmus. We have not even secured the trade of our own colonial islands of Asia. The trade we have there is in the main the result of sales to Americans who have gone to the Philippines, and who, if they had remained in America, would have purchased the same commodities, at a greater profit to the purchaser in this country.

Our foreign commerce has been made up largely of raw materials needed by the other nations. With our raw copper, Germany has been electrifying the world; with our raw cotton, England and Germany, Switzerland and France, and even Italy, have been making garments for all Christendom and the pagan East.

The cause of all this spectacle of foreign nations turning out the finished goods from raw materials

industriously supplied by America, is that our whole external commerce has been merely incidental in our progress and prosperity. The majority of the American people has been indifferent to foreign trade, and consequently to reciprocity, because so deeply preoccupied on our own continent, figuring up the totals of our own industrial, financial, and commercial successes.

We do more business in one week in the United States than our exports of manufactures to the whole world equal in a year.

An American in New York, who sought in 1905 to inaugurate a new *régime* in foreign trade, discovered a big opening for a certain article in Russia, and forthwith wrote to 150 American manufacturers, telling them of the opportunity and asking them to quote prices. Only fifteen replied, and in substance they all said that they were too busy to consider foreign demands. Working day and night they could not fill American orders, and one of them said that if Russia really wanted American goods the only way he knew of for it to get them was to build factories like our own and produce the wares.

A former Assistant Secretary of State, upon his

return from a visit to the grain fields of Argentina and the greater prairies of Brazil, told me that he urged his father-in-law, a manufacturer of plows, to look into the South American opportunity. The swift reply came that the agricultural implement makers of the United States could not supply the insistent demands of American farmers. The traveling partner of a big forwarding firm of New York told me recently that one of the most difficult things in his experience had been to interest Americans in foreign markets. If the order comes to them and is accompanied by cash, some of them will undertake to fill it, but they do not care to venture into unknown seas.

It is not remarkable that this should be so. An American factory can order a freight train backed up to its disgorging windows. The goods are then lowered through a chute. They whirl away, perhaps across the continent, to a buyer whose rating is vouched for by a credit agency, and within the specified time, or even on delivery, the check is paid. In contrast, across the seas the cargoes run into customs barriers. If the goods are not packed according to the classification of tar-

iffs, fines are imposed. If, for instance, a piece of jewelry happens to be packed with coarser merchandise, the whole crate, or even the whole cargo, will be appraised as jewelry. The rest of the merchandise may be blankets or baled hay, but it is jewelry to the sagacious expert. We know that America has classified frogs' legs as poultry and a mare's colt as household furniture, and the soy beans of Japan have at our ports been taxed as imported sweetmeats. Even more subtle classifications characterize the practice of customs examinations in Russian, Latin-American, and Oriental cities of entry.

Even after the American has mastered the intricacies of tariffs he must keep abreast of tariff changes. The knowledge of this constantly changing network of tariffs throughout the world is the most difficult information to secure. There sits constantly in Europe in solemn conclave an international body of translators employed by the trading nations to keep subscribing countries informed of modifications, but this commission works with expert and superb deliberation. It often happens that long before the translated copy reaches the exporting country, the tariff in ques-

tion has been superseded by another. All these difficulties placed in the way of commerce by the tariff nations are not insurmountable, but when the American manufacturer has all the business he can reasonably attend to, here on this continent, it is idle to expect him to fret his life and squander his time over distant markets.

And so long as this condition exists in the United States, argument in favor of reciprocity based simply upon the possibility of the extension of American trade abroad is not compelling. It is not that America is behind other countries in enterprise. Rather, it is ahead of them in prosperity. It has not yet been confronted by that necessity which forced Bismarck to tell his people that Germany must export either merchandise or men. The Kaiser has assured his subjects that the future of Germany is on the sea, but American destiny has only recently edged toward the deep.

We like to say that the projectiles hurled by the *Monitor* and the *Merrimac* reached across the Atlantic and sent the wooden navies of Europe to the junk shop; yet while Europe repeated the miracle of Elisha and made iron float, the Ameri-

can merchant marine declined. This was not because the Old World snatched the secret of the sea from New England. There is more enterprise to-day in the United States than when Yankee packets sailed to every port. Our own continental opportunity, which has made us indifferent to reciprocity, which permits us to look on with unconcern while Switzerland sells us more cotton goods than we export to Europe, which has made us indifferent to the passing of Latin-American trade to our rivals, and which has permitted the commerce of our Asiatic archipelago to go to all nations, explains the decline of our merchant marine.

It is simply because there is more business done on the American continent than there is throughout the entire circle of the seas.

What all the nations buy from one another is less than fifty per cent of the domestic trade of the American States. A railway from New York to Chicago, or from Chicago to Omaha, yields greater returns than a steamship line around the world. We have boasted that American locomotives whistle past the Pyramids and frighten condors in the Andes; that American-made engines

pull train loads of pilgrims to bathe in the sacred waters of the Ganges; and we have said much about American locomotives in Japan and Russia, and those that will go into China; but we forget that this likewise means the awakening and prosperity of the countries that buy them. We have built steel bridges across rivers in many countries, but we forget that foreign nations ceased to ford their streams before we did, and that our bridges there are but a few in a multitude. The fact that these foreign countries have managed in the midst of our prosperity to be on the alert for possible opportunities to get alien orders filled in our factories, indicates how much alive the whole world is. It may be true in some instances that we have furnished locomotives for peoples who would otherwise go afoot, or built bridges for nations that would without them ferry across on primitive rafts. In every instance, however, extension of our commerce means a corresponding increase in the purchasing power of the world. In the case of a majority of our cargoes going abroad, the secret is suction from the foreign shore, not propulsion from this.

A further fact which illustrates the internationalization of commerce and the simultaneous progress of all countries in material things, is that factories throughout the world to-day, even some in America, will stamp on their output any brand or nationality demanded by the buyer. Goods leave American shores for Europe, branded "Made in Germany," and innumerable articles manufactured in the Fatherland bear the impress of American firms. Except in the case of certain classes of commodities into whose workmanship secret processes have entered, goods in any part of the world are apt to be masquerading under aliases as regards their place of origin. The theft of American trade-marks in Europe and Japan is one of the notorious triumphs of the commercial federation of the world. It is pleasing to note that not all firms in all lands, and perhaps but few in America, will resort to this system of counterfeiting in manufactures. A great steel tool company in Rhode Island received a cable message from buyers in Berlin stating that if the American factory would impress the name of a foreign firm in the wares they would instantly place an order for 300,000 dozen. The word flashed back that

the Rhode Island firm did not care to sell a single tool on those terms.

Neither here nor anywhere else am I underestimating the actual triumphs of American genius abroad. That American windmills are pumping water out of the Jordan, and that Minneapolis flour is baked in lands where manna once fed the multitudes, opens the mind to vistas of opportunity. No doubt, if American windmills, for example, could be introduced to supplant the more picturesque but less expensive wooden windmills of western Europe, something would pass from the landscape of the Old World, but the industries of both continents would be advanced. It is true that Moslems of Damascus are listening to American phonographs, that Milwaukee beer is going into Galilee, that hardware, leather, lumber, machinery, oatmeal, shoes, paints, rope, and tools from the United States are finding a sale in Palestine, but we are apt to forget that these things are merely incidents in the romance of trade. I have seen a pen picture of a British merchant starting to work in the morning in an American car in the London subway, sitting down in his office on an American chair before an

American desk, dictating his letters to a stenographer who transcribes them on an American typewriter and gives them to him to sign with a pen imported from the United States. But there are single firms in the United States that do more furniture business in a year than the United States does with Great Britain in the same period. Moreover, our exports of furniture to England have been declining for three years.

When we realize that Great Britain exports about three hundred per cent more manufactures than America does, it will be seen that picturesque details at the mere beginning of our career as a trading nation abroad by no means represent a commercial invasion. We have boasted that our cash registers keep accounts for a score of nations, but we do not reflect that the money that goes into them is not ours. American typewriting machines, many of them made in our factories in Europe, are, it is true, wending their way wherever written language is employed, but this means that the business of the whole world is being Americanized. Only an institution like the American Department of State, holding out against the manifest advance of the treaty na-

tions, still conducts its correspondence with a pen!

A few years ago, joyous mention was made of the fact that the Syrian city of Beirut, under the dominion of the Turks, had added an American steam railway to its public equipment. That simply means that Syria has begun to travel the world's great highway that leads to prosperity.

In the five years ending with 1905 our exports of manufactures to Europe averaged less than $200,000,000 per annum. This is about fifty cents per capita to the inhabitants of the Old World, or less than a cent a week. There is nothing in all the annals of delusion more amazing than that prevalent fallacy in America that we have engineered a commercial invasion of the Old World. The semi-developed republics of Argentina and Brazil buy more actual factory goods from Europe than Europe buys from us. The profit on our $200,000,000 of manufactures sold to Europe is about $40,000 per year. That, nationally, is a paltry sum.

It is not at all oversanguine to believe that an intelligent entry into the European field would result in the sale of at least $10 worth a year of

American manufactures to the European. That would mean an annual export trade of $4,000,000,000. It is a big jump, it is true, from less than a cent a week per capita to the people of Europe, to twenty cents a week, but it has frequently been pointed out by conservative economists and shippers that our trade with China within a few years must surely reach the sum of $5 per Mongolian a year, and most of this would be in manufactures, for the Orient is full of raw material. To Canada we sell more than $20 worth per capita, the majority of it finished or partly finished goods. For civilized Europe, wealthier by far than all the other continents and islands combined, it is not impossible to believe that we shall, when we seek it, secure a trade in manufactures worth at least twenty cents per capita weekly among the 400,000,000 people of the Old World. Here is one of the opportunities that reciprocity holds out, and I shall show how, in my judgment, a trade of some such colossal character could be developed.

Although it is foolish to argue that we should resort to any extreme legislation to safeguard the present pitiable export trade in manufactures to

Europe, there is a reason why it is of the utmost importance that that commerce, infinitesimal though it is, should be preserved from the violence of tariff war. I have spoken in connection with panics, of the element of imaginary fear, or rather, a very real fear of some imaginary menace. We have indulged in such exultation over a mythical commerce abroad that this fallacy has become a fundamental concept in the American mind, and any large disturbance of this trade in competitive goods in Europe would alarm at least the whole American republic. In the belief that our prosperity is somewhat if not largely due to this imaginary foreign trade, it is possible, even likely, that a great decline of confidence would ensue, should hasty reprisals against Germany, for example, begin to force on Germany's part a retaliation destructive of our trade.

The whole principle of the surtax is so wrong and so destructive of international confidence that it would not be at all strange if a prolonged exchange of tariff retaliation between Germany and America should lead to war. The tea tax exacted from the American colonies would never have retarded the prosperity of the New World,

but the principle was opposed to the spirit of progress. George the Third was no greater enemy of international prosperity than are the statesmen who, rejecting the opportunities of reciprocal peace and commerce, advocate a tariff war.

CHAPTER VIII

THE TASTE AND TREND OF EUROPE

THE exporter who seeks to enter the European field should take into consideration the modern tendencies of the Old World. Herr Prager, of Berlin, one of the progressive merchants of that city, told me that American business had been injured in Germany through the shipment there of low-grade articles. He spoke of the serious blow given to the American bicycle trade in Germany resulting from a cargo of inferior wheels that broke down under the tension of the Teuton scorcher. I said to Professor Atwood, who has been for twenty years in Germany, "Is it likely that the higher priced things of America would have a sale in Germany?" He replied, "The better the goods the bigger will be their sale in this empire. Germany is prosperous. There is no chance here for cheap goods. There is

a vogue for foreign wares, and the people are willing to pay well for them."

There is a strange fallacy in the United States that Germany is a phlegmatic nation. The Germans are an artistic people, and in many ways as mercurial as the Latins. The ever-bubbling wit of the German temperament, in criticism on what they consider inelegant, indicates this clearly enough.

On the Leipzigerstrasse, in Berlin, a street lined with beautiful stores that cater almost exclusively to people of wealth and taste, a firm dealing in vases and porcelains, desiring to attract conspicuous attention, erected in the street walls of their five-story structure four immense female figures in stone. They were striking, but not considered elegant by the Berliners.

"What are those mammoth stone effigies intended to be?" asked one Berlin critic.

"The five senses," was the reply.

"But there are only four."

"Exactly. Taste is missing."

Everywhere I went in Europe I was assured by business men and American consular representatives that the great future abroad for

American wares was in the sale of expensive commodities. The King of Italy in 1906 offered an award of $20,000 to the maker who would exhibit the best automobile for European road service. The contest was international. In the official report drawn up regarding the International Automobile Exposition held at Turin in March, 1906, the following statement was made:

"Italian dealers are as yet entirely unnoted in any suggestion for supplying this market with a low-priced car. Automobile buyers in Italy come from the class which can afford to pay the highest prices."

With few exceptions American exporters have not attempted to reach the wealthy buyers of Europe. A general Americanization of Europe, designed to meet the wants of privileged customers who could pay the price, would result in large profits to those who pioneered the work. In some things, as I shall show in a further chapter, Europe is in advance of America, but as regards many of what we deem indispensable household conveniences, Europe is living in the eighteenth century. At the Hotel

Bristol in Dresden, for example, it was necessary to give a full hour's warning in order to take a bath in comfort, and in a friend's home in Berlin I created a flurry throughout the entire household by suggesting to the servants that I would like a warm bath. Yet the people of Europe pay high for their antiquated homes and apartments. Consul-General Gaffney at Dresden told me that he hunted for many days to get an apartment at any reasonable rate. For $1,200 per annum he finally secured several pleasant rooms—with a bath in the cellar, among the coal!

It is not pretended that reciprocity with Europe would enable America to export bathtubs at a profit; it is merely that the belated character of Europe should, in connection with the European readiness to get the best there is out of life, be taken as typical of the opportunity awaiting enterprising Americans. The eighteenth and the twentieth century are marching abreast in Europe.

After listening to some modern songs in the headquarters of the International Phonograph Enterprise, opposite the Piazza della Fontaine

Marose in Genoa, I started down the street and encountered a huge mediæval cart drawn by four horses in tandem. Yet every city in the Old World is trying to be modern, and in many of their enterprises they make American municipalities apologetic in comparison. What I wish to show at this point in the discussion is that wealthy Europe has taste and is trying to satisfy it, regardless of the bill.

In Genoa they have an American bar. They serve afternoon tea there. The only American whisky sold is Canadian Club. If the hypercritical traveler tries to convince the barkeeper that that is not really an American beverage, several brands of Scotch whisky are proffered. But you can buy candy at the American bar, and ice cream, and nearly everything, in fact, in the way of refreshment is for sale there except American drinks.

In the railway station at Bern, Switzerland, there was an American bar on wheels. Genuine American whisky was on sale, also bottles of mineral water under a slab of ice and plums wrapped carefully in cotton. The whole portable establishment was pushed up and down

under the train windows by a courteous man in evening dress.

All western Europe whirs with electricity, but in a general sense it must be said that there are no electric fans in the Old World. Forks were used in Italy when the Plantagenet kings ate with their hands, but there were wealthy Italians at my table in the dining car on the way to Chiasso who did not know it. Some of them, like old-fashioned people in the days of our childhood, drank their coffee out of the saucer.

One of the evidences that intense modern ideas are wedging their way through the conservatism of the Old World is the recent establishment in many capitals and pleasure resorts of a noisy and turbulent medley of entertainment modeled upon our Coney Island. The first one of these I encountered was on the beautiful Elbe, just above Dresden.

I took a steamer at Dresden bound for the "Saxon Switzerland." I had about 200 citizens of Dresden as fellow passengers. I was deeply impressed with the sight of these people, so fond of their native scenery that they would leave their employment in business hours to go forth and

enjoy the beauty of the steep mountains. Twenty minutes from the start they all got off, and poured pell-mell into a riotous enclosure where shoot-the-chutes and merry-go-rounds, Ferris wheels, captive balloons, and so-called airships were the attraction. There was a wild dissonance of hurdy-gurdy music, and when it is considered that the whole German nation is attuned to the classic melodies of Beethoven, Wagner, and the other masters of harmony, it becomes obvious that the Old World is adaptable and ready for anything new. As the boat steamed away with its lone passenger I saw the German pleasure-seekers flocking toward the Unterseebootkarousel and the Automobel Curso. That a merry-go-round with its inevitable music could turn the head of Dresden shows the possibilities of internationalism in plebeian and popular lines.

For a people who have garnered the world's masterpieces in their galleries I marvel at the lack of taste in the personal dress of Europeans. The watch chains worn by the men, for example, are held in the buttonhole by a massive and inartistic ring. The clothing worn by the men, particularly in the wealthy cities of Germany,

is absolutely inconsistent both with the purses and the physique of the Germans. The trousers are pinched at the ankles, unnecessarily revealing the large feet which have secured such a firm foothold upon the commercial world. The narrowness of the German trousers at the ankle may be accounted for on the ground that an abnormal length is required to encircle the Teuton waist. But the whole subject of the dress of Europeans is suggestive of a field for the sale of the higher grades of artistic ready-made American apparel. In fact, in a number of windows of high-class establishments in Berlin suits were exhibited marked as made in America, but the cut of the garments told another story. They were American in the same sense that the American bar at Genoa was.

The real-estate boom now transforming western Europe recalls the rushing days of Wichita, Los Angeles, Seattle, and Spokane. The building in the outskirts of Berlin to-day duplicates the activities of Harlem, with this exception, that the structures are far more artistic. The same is true of Budapest, regarded by

many travelers as the most beautiful city in the world. In all the cities of Western Europe the age of concrete has been inaugurated, and no improvement is too modern to be accepted by the builders. Alert representatives of American household inventions might find a valuable opening in these foreign cities. We have learned in America the commercial value of demonstrators. It is not alone in Europe that people must be educated to inventions. The United States Government at Arlington, Va., has an experimental agricultural station of 500 acres. Any farmer who would study diligently the scientific methods employed there would grow rich, yet within a quarter of a mile of that model farm there are neglected orchards in which the only persistent activity is displayed by the woolly aphis and the codling moth. Just outside of Zurich, the largest city of Switzerland, and one of the world's famous centers of modern manufacture, I saw a farmer trudging behind a clodmasher in a plowed field. Most husbandmen, wishing to give weight to this contrivance, ride on it; but this sturdy agriculturist had not thought of that. Instead, he had

fastened a boulder on the vehicle, while he toiled stolidly behind.

In one field in Europe you will see a small army of men and women raking hay. In the next an enterprising farmer riding behind a horse on a rake similar to those used in American farms has the field to himself. Automobiles of the best and fleetest make are encountered in all the common roads of Europe, but not even in their most civilized cities did I see a modern baby carriage. This incongruous and unequal progress in the world shows how much could be done by a complete internationalization of ideas and inventions. On the Tokkaido, the most famous driveway in the Orient, I saw modern automobiles going at full speed, and peasants, wearing overcoats made of straw, dodging out of the way. At one of the stations where my train stopped in Hungary a band of gypsies playing on the violin entertained a great concourse of passengers seated at tables on the platform between the tracks and the station door. Everybody was drinking beer, but not to excess.

The never-ending expenditures of Europeans

for food and drink and merriment give some indication of the patronage awaiting the extension of American trade on that continent. It is a mistake to believe that the Europeans spend money only for the cheap things. Even in Munich, the beer capital of Bavaria, that beverage is not cheap outside of the Federal brewery. Even to get into the Lowenbrau brewery in Munich cost eighty pfennigs, ten of these being for a programme. Yet pleasure seekers come hours ahead of time in order to find seats, in a hall which seats 1,000 people. On the night that I was there the orchestra at eight o'clock began playing the same kind of music that Conried serves at the Metropolitan Opera House, and hundreds of people were hunting in vain for seats. An international programme had been given in this brewery on the preceding Sunday evening, and when the English part of the programme was reached the selection given was "The Lost Chord." People who will pay twenty cents to get inside of a brewery will make good customers for anything else that equally appeals to their taste.

In considering the opportunity among the

400,000,000 people of Europe it should be kept in mind that they have no fixed congenital forms of amusement, for as I have pointed out, a people educated to classic strains may rush at times from the centers of art and music to listen to ragtime in the suburbs. I was impressed as I traveled over these countries with the fact that the restless pleasure-seeking multitudes spent money without concern for economy. The man next to me at the dining table in the Speissenwagen from Budapest to Vienna paid twelve kronen for his dinner, including wine. These tables, crowded always, in the majority of cases with Europeans, serve no cheap dinners. The ordinary rates without wine or beer are similar to the price scheduled in American Pullmans. The clothing and the character of the luggage of these European travelers bespeak lavish use of money. I made it a point to stop at hotels patronized by foreigners. In many of these places breakfast, consisting of coffee and rolls and butter, cost the equivalent of forty cents. Millions of these Continental people travel about every year and go home laden with purchases of many lands.

At Zanzibar a few years ago I met a Russian traveler who had accumulated about half a ton of souvenirs in his pilgrimage. His loot was let down by a derrick into the hold of the vessel, and the transportation charges were not small.

America is doing nothing, or practically nothing, to reach this great European market. Most of the cargoes that go from America to the Old World proceed thither, as I have pointed out in another chapter, as a result of the industrial alertness of the purchaser. If the Esquimaux raised cotton they could sell it to Europe as easily as we can. It requires no unique ingenuity to sell copper to electrical Germany. It is climate and geology that have made it possible for Europe to buy from us. To say that American genius has developed our foreign commerce in raw materials or that the export of our manufactures to the Old World in any way typifies the resourceful energies of American masters of industry is to accuse this nation of inventors and financial captains of incapacity along their own lines of achievement.

On our own continent we have developed an industrial and commercial success which neither the past nor the present can match in any other part of the earth. But beyond our shore line American commercial operations, taking them as a whole, are a fiasco.

If America should attempt to supply the European royal houses alone with up-to-date furniture, for example, and should get the contract for one third of the articles needed to complete the modern movement taking place in the refurnishing of those palaces and castles, a very large and important figure would be added to our statistics of exports. In a beautiful room as long as a block of the modern city, in the palace of the Archduke in Budapest, the guide paused and said, "This is the buffet." Eight hundred people can sit down at table there. The walls are adorned with fine tapestries made to order in France, and depicting the heroic history of Hungary. Most of this palace has been newly built. Two great rooms are finished in old-style majolica. All the rest of the palace within displays a lavish but not always artistic attempt to be up to date. We walked

up stairways broad enough to admit a regiment. I said to the guide, "Is there any elevator in this palace?" "None," he answered, "except the one to lift up food."

Not far from the palace of the archduke, in the Parliament building, we saw a vacuum carpet cleaner at work.

An indication of the desire of Europeans to spend money on something new is presented, spectacularly, in Budapest, in the erection of a large private mansion built in the most riotous style of the Secessionist school of art. In the leading picture gallery of Vienna I ran into a group of peasants. The man wore an abbreviated black coat heavily braided, and his trousers were in his boots. The women wore red felt slippers and garments which I am powerless to describe, but they all sat and actually studied the paintings. And it had cost them the equivalent of twenty cents apiece to enter this gallery. Unquestionably the impulse that led them there was one phase of the artistic spirit that has expressed itself in eternal beauty in the Old World. On the other hand, Budapest, which shares with Milan the honor of pos-

sessing the finest orchestral genius in Europe, and which is the great center of culture, was agog the week I was there over a negro cake-walk. The poster announcements of this flamed on every dead wall.

I have spoken of the dress worn by travelers in Europe indicating their readiness to spend money. The dress of native travelers in Germany, Austria, and Switzerland forms a sort of uniform. It is a fantastic combination with knickerbockers, belted coats, and plumed hats which in America would be suited to the comic stage.

In Munich I met a German traveler and asked him what were the best works of art in that city crowded with glories. "Ask the hotel porter," he answered; "he will tell you which pictures are the greatest."

And he did.

I have indicated some of the little vanities and some of the backward phases of the European, and a few of his tendencies toward modern pleasures, that are the very antitheses of their classic and customary joys. This is by the way of suggestion. The keen business

world of America should be quick to realize that Europe is a unique field fraught with almost infinite commercial possibilities. There is nothing too new and nothing too expensive for Europe. The famous Café Luitpold of Munich was finished in gilt and carvings and color at a cost of 8,000,000 marks. Yet the chairs in this place, where the ceilings are of gold, are ordinary and painted black. They would cost probably about $2 apiece in the United States. In fact, they have not improved much on furniture in Germany since the days of Frederick Barbarossa. I wondered at this as I sat in one of his castles in Bavaria and looked down on a fashionable automobile honking under the silent old tower.

But though their furniture is cheap, many of their oak doors are beautiful, and equipped with patent pneumatic springs.

Under the shadow of the famous Gothic cathedral of Milan built in the fourteenth century, I saw an Italian selling American peanuts. Yet side by side with this modernized vender was a cigar store which refused to furnish a light. Even in Genoa, a most stirring modern place, they

will not give you a light in a tobacco shop, which, considering the quality of the cigar sold, is perhaps a credit to the Italians.

On the other hand the "automatic" in Milan was so packed with the well-dressed populace at the noon hour, devouring quick lunch, that I was unable to get in even to make observations. At Genoa I saw an old woman of the peasant class striding about very proudly in a pair of high-heeled American shoes. I saw another peasant woman in this same city of Genoa enjoying a pleasure drive in a cab. She was taking in the sights. It is true that cab fare is cheap there, as in most European cities, but the shortest ride would cost a lira, and she probably for her outing spent two or three.

There are big stores in Milan, where international goods are jumbled. There has been a vague reaching out for the money-spending customers of Europe, but there has been no Americanization of effort. Mr. Dunning, our alert consul at Milan, urged upon me to make clear to the American exporter the opportunity awaiting young Americans who, with the knack of salesmanship, would go to Europe and press any

claims regarding any goods without arousing conservative resentment. For example, one of the main products of Lombardy is poultry, yet there, as in many parts of Europe, incubators are unknown. I believe that all the commodities which Americans have found convenient in personal use and valuable in industrial employments would have a triumphant sale if properly introduced into Europe. I have spoken of the interesting fact that the car shops of Europe cannot fill home orders. At the railway exhibition in the city of Washington I visited one pavilion which had a catalogue of 2,000 appliances there on show for the interior comfort, adornment, or mechanical perfection of cars. Meanwhile the great procession of cars turned out by Europe exhibits about the same characteristics as regards comfort as the American caboose.

Short-sighted statesmen have convinced manufacturers who lack the time to gain an international view of the opportunity, that reciprocity with the countries of Europe would give these countries an opening here for which they could offer us no compensating advantage. But commerce balances itself. Even if there were to be

any unequal advantage, it would be on the side of America, which has a multitude of modern things to sell to the richest continent in the world, eager for the best that latter-day ingenuity can devise.

CHAPTER IX

ADVERTISING IN EUROPE

SOCRATES, when taken by his disciples to an exposition held in the city of Athens, exclaimed, as he beheld the array, "How many things there are in the world that I don't want!" If the population of the world were made up of barefooted philosophers, foreign trade would perish. In this commercial age the restlessness of a people's wants is the mark of their progress, and nothing succeeds in provoking these wants more than advertising. Much of the strenuous endeavor of America is stimulated by the desire of the masses to possess the things flaunted daily in advertisements from one end of the continent to the other. It will be found that the rate of advance is swiftest in the countries that advertise the most. It is rather astounding to the traveler abroad to find that Italy is the most persistent advertiser in Eu-

rope; and a glance at its material advance in the past five years shows that the proportion of its increase in the industries exceeds that of any other nation abroad.

All the large centers of Europe, however, are growing at a tremendous rate, and all of them advertise. At Nuremburg I copied a great placard announcing a daily concert in the Capital Klosterhof and the Café Neptun Schattigergarten. It was printed on white canvas and resembled, as do many of the new-fangled advertisements in Europe, the monster signs devised by the boom towns of western America. This huge canvas ad in Nuremburg was nailed to unpainted scantlings which in turn were fastened to the side of one of the most celebrated and ancient Gothic churches in Bavaria.

Europe is beginning to follow in the steps of Japan as an advertiser, and the Sunrise Kingdom got its billboard ideas from America. Worshippers at Buddhist temples invariably wash their hands in a fountain at the entrance before making their supplications. Formerly the priests hung towels there. Now the merchants of Tokio and other cities furnish the temples with free towels,

reserving the privilege of printing their advertisements on them.

The point is that the whole world is beginning to advertise, and that Europe particularly offers a fine field to the advertising genius of America. I believe that almost any American novelty thoroughly announced on the sign boards and pillars of the Old World would have an immediate and sweeping sale.

Berlin is the only city I know of in Europe or in the Old World that has no billboards. This is not due to absence of enterprise but to the artistic spirit of that capital. In place of the billboards nearly every busy corner has an advertising column or kiosk under the control of the municipality. The ads are well printed in various colors, sometimes illustrated. No one of them is very large, for space is valuable, and no ad is permitted to remain longer than a day. The whole city of Berlin every morning stops and reads these placards. Most of them announce amusements, but they are not limited to that. One day at the noon hour I stood at the entrance of the celebrated electric works of the A. E. G. of Berlin, and watched 7,000 workmen pour from this hive of

dynamos. They were all, no doubt, hungry for the noon meal, but almost without exception every man paused and looked over the near-by advertising pillar. I was so impressed with them, and with the opportunity it suggested for American advertisers, that I had my photographer take a picture of some of these men as they stopped to read the signs.

There are 2,000,000 people in Berlin. This number includes a great cosmopolitan community enjoying every variety of comfort and luxury. Some day some alert advertising Yankee will wake up to the opportunity of introducing American wares through the medium of these advertising columns to the multitudes of the German capital.

I made a note wherever in Europe I saw conspicuous ads, and the list by itself might indicate that the work of exploiting the virtues of various merchandise had been sufficiently well done. This is not true. Europe is just beginning its advertising course. I saw one ad announcing a new brand of cigarettes, and another praising some kind of foreign pills, and both signs appeared placarded on huge boards against the Saxon Pali-

sades on the Elbe. And chocolate ads, ads of pneumatic tires and assorted cakes, have begun to climb the Alps.

All this is a profanation, but there is profit in it, and European merchants and manufacturers are just beginning to realize the fact. I noticed, too, that the things advertised are the things persistently called for in the hotels, on the railways, and in the *cafés* of Europe. But it is only a beginning.

I met a very intelligent manufacturer in Berlin, who told me that he had more difficulty selling wares in Berlin than in London. I asked him why he did not advertise on the street corner columns.

"Oh," he replied, "we always advertise in our trade paper!"

The attitude of this business man of Berlin is far more typical of Europe than the advertising I have mentioned. The Old World has not yet grasped the possibilities of daily newspaper advertisements. In Berlin you can go to a newspaper office and pay for an ad, which, at your direction, they will place in the columns of their rival!

When newspapers first appeared in Europe no

merchant thought of advertising. Papers had been in circulation ten years before the first advertisement appeared, and this conservatism still characterizes much of the business abroad. When advertisements did begin to appear in European newspapers they told principally of fairs and cockfights. The fortunes spent in America for advertising are incredible tales to Europeans. The rates for advertisements on these advertising pillars of Berlin are very low, compared with American standards, but they are too high for the ordinary German dealer. The trade paper gives him the rate he wants, and there he inters his ad.

But the strange thing is that American firms which do not hesitate to spend all the way from $10,000 to $100,000 per annum in advertising have overlooked the billboards and the pillars and the press of Europe. They permit ads in the international dining car abroad. In one car the swinging glass door dividing the main dining compartment from the smoking room bore a sign in gilt letters of a big steamship line, announcing trips around the globe. Over one table was a placard announcing novelties of a trunkmaker who has branches in Leipzig, Berlin, and Ham-

burg. Cocoa was also advertised, and the sign bore an inscription in German to the effect that the traveler could secure some from the waiter. An English railway line was advertised, and an American typewriter. This was the only American ad in the car, and one of the very few I saw in all Europe. The virtues of this typewriter were set forth in English and French, and it is significant of the Old World opportunity that this particular machine thus advertised is popular in the offices of many European cities. A curious thing in this connection is that this typewriter is seldom spoken of in the United States, except reminiscently.

Elsewhere I have spoken of the Coney Islands of Europe. All the noisy avenues leading to these places of amusement are lined with ads. Cleaving the sky above the famous Prater of Vienna is a gigantic Ferris wheel, and every car, as the monster amusement revolves, carries an ad. Throughout Austria they permit ads on the railway station walls. In Berlin, in any 'bus or street car, when you pay your fare, a ticket is handed to you. This you must preserve, for somewhere on the trip the Control is apt to get aboard, and if your

ticket is missing, your trouble begins. The back of this ticket is covered with advertising matter, and it is diligently read *en route*.

They have advertising columns in Vienna and, in fact, in nearly all the cities of Europe, but placards are not confined to them outside of Berlin. Some handsome columns, all covered with ads, adorn the Ringstrasse of Vienna. There are advertising columns at the very entrance to the imperial palace. Almost a similar enterprise characterizes Berlin. Emperor William can look out of his palace windows and see his subjects just across the street eagerly scanning the latest announcements on the advertising pillars.

Italy, which, as I have said, leads all the other Old World nations in advertising, has advertising columns made of glass, which are illuminated at night, and revolve.

Not all America is blind to the advertising openings in Europe. Below Pozony in Hungary a big billboard in a hop-field advertises an American brand of bonbons. In the streets of Budapest I saw a large covered van belonging to a forwarding company, and painted in big letters on the sides of the vehicle was the statement that it had

been at the St. Louis Fair and that the company was prepared to start shipments to any part of the world. Every day is market-day in Budapest, and the walls of the vast sheds enclosing the vegetable, fruit, and meat stalls are plastered with ads.

On the way to Nuremburg I noticed ads on the walls and roofs of several farm-houses and barns. The scene suggested the familiar decoration of a Western agricultural landscape in America. Throughout many parts of the United States any advertiser who will paint a farmer's barn can get the privilege of disfiguring its roof with a huge sign, and the indications point the way to the same possibility abroad.

Cakes, pneumatic tires, and brands of champagne were the commodities advertised on the roofs of the Bavarian barns. There were enormous billboards outside the Exposition at Nuremburg. At the Kursaal Schanzli in Berne, a pleasure garden patronized by thousands of pleasure seekers annually, from all the countries of Europe and from America, billboards were conspicuous.

The Zurich *Tägliche Anzeiger* announced that it had the greatest circulation of all the newspapers

of Switzerland. A nonalcoholic wine, a brand of chocolate, a school of languages, blankets, silks, and automobiles were advertised therein in huge letters. The drop curtain at the theater in this garden overlooking the capital of Switzerland is a street scene lined with ads of great firms, representing most of the countries of Europe. Coming across the Kornhaus Bridge over the picturesque Aare I came plump against the biggest ad I have ever seen in any part of the world. It was five stories high!

All the cities of Switzerland have advertising bureaus conducted by the government. Courteous young ladies who know how to be gracious in all languages, load the traveler down with all sorts of advertising circulars. At Lucerne I saw a chocolate ad that covered a whole building.

I have spoken of the Italian whom I saw selling peanuts under the Cathedral of Milan. Parading up and down in front of that ancient pile I observed an advertising sandwich man. Ads were written all over the back of the famous Scala Theater in Milan. The 'buses of Vienna are hideous with ads in black paint on white canvas. But it was in Genoa that I encountered the most riot-

ous display of signs. If that city were set down in New York its street signs would occasion no surprise. I heard newsboys crying papers there at midnight. New buildings are going up throughout the city, and wherever they are in process of construction the neighboring walls laid bare are instantly covered from the ground to the roof with the signs of the bargains to be had in the stores of the city.

Away up in the little stations of the Funicular overlooking the harbor I saw advertising signs. One of these announced that a certain Scotch whisky "as supplied to the House of Lords" was to be had in Genoa.

Consuls of Great Britain have been urging the manufacturers of their country to take advantage of the advertising opportunities of the Continent and of the Old World in general. One of these officials, writing from the Soudan in Egypt, calls attention to the opportunity of an increase in trade when a demand is created for civilized manufactures among the natives of that region. He urges that steps be taken to advertise among these natives, so as to expand their ideas of the necessities of life.

"Their purchasing power," he says, "is far greater than their expenditure. Many an Arab owns 200 head of cattle, and only one shirt."

Charles M. Pepper, sent by the United States Government to study trade conditions in Egypt, was amazed at the fondness of the Bedouin and Fellaheen for carrying watches. Many of these, he discovered, advertised as American-made, are worthless imitations produced cheaply in Europe, and as Mr. Pepper remarks, would be better sold by the ton as old junk than as timekeepers.

What is true of the people along the Nile is still more conspicuous in the civilization of the Spree, the Rhine, and the Danube. The whole of the world is ready and eager for American articles. When the enterprising Yankee begins to nail his advertising signs against the splendid and historic scenery and ruins of Europe, there will be a sturdy protest from the lovers of the æsthetic. Yet this billboard pioneering work is constantly increasing. Internationalization of trade will probably do more to promote the peace and common progress and prosperity of the nations than all the essays of all the idealists combined.

The possibilities of extending commerce

through advertising are unlimited. All the Kaffir tribes of Africa, for example, have been educated to the use of different shapes and styles of assegais. I met a German anthropologist who had solemnly collected specimens of these spears from all the tribes in the Dark Continent. He was impressed by the workmanship of the weapons, and was getting ready to write a treatise on the distinctive characteristics of the Kaffir, as revealed in the construction of their implements of war. He was a very much astonished and disgusted German when the captain of the vessel, to whom he had confided his small cargo of assegais, explained that they were all manufactured in Birmingham, England. The tarboosh or fez of the Mohammedans is imported from Austria and Great Britain. I know a man in Dutchess County, New York, who traps pole cats and ships the skins to St. Petersburg, where they are converted into winter caps for the soldiers of the Russian army.

There was a time when it was good patriotism to counsel this nation against foreign alliances. To-day the more entangling our commerce the broader is the foundation for our international

stability. If we had an export trade with Europe amounting in value to $5,000,000,000, which would be about $1 per month per capita, to the people of Europe the possibility of tariff war would be remote. It may take many successive panics to impress upon the American people how futile our own progress is if we fail to see to it that the financial advance of our neighbors is maintained. But a direct trade appealing to the majority of manufacturers and exporters would present a tangible argument in favor of reciprocal peace. As a stepping-stone to that, disfiguring American billboards across the whole continent of Europe would be an assuring sign. When Demetrius was about to demolish the city of Rhodes, he learned that a celebrated artist, heedless of the clash of arms, was busily at work in the city painting a picture. Pliny says that the general forbore to raze the town lest he destroy the work of art, and the artist had continued at his easel, confident that the besieging conqueror would take that very view of the situation. When questioned in regard to his composure by Demetrius, he replied that he understood the war was waged against the Rhodians, not the Arts. It is not at all improb-

able that the moderns will similarly dignify Commerce. Advertising signs on all the world's highways, where Martial Ambition now struts, will be potent admonitions to peace, particularly when behind those placards are commercial and financial interests of international character, more powerful than armament.

CHAPTER X

NO NATION CAN MONOPOLIZE COMMERCE

THERE was a time when a nation or a continent could corner the secrets of manufacturing, and control the world's trade in certain commodities. For many centuries after the beginning of the Christian era the Orient sold silks to Europe, and Europe imagined that these fabrics were made of the fuzz of strange trees and the fur of sacred animals. It was not until the thirteenth century that slaves captured by Christian generals in the Levant taught Italy how to raise silkworms.

In former ages scholars were able to monopolize the learning of the world. At one time in Greece the man who could repeat Homer was declared a gentleman. When the Athenians were defeated at Syracuse, every member of the army who could quote from the poetry of Euripides escaped death. Plutarch says that when the Athe-

nians returned home they went in a delegation to Euripides and thanked him for writing the masterpieces the knowledge of which saved them from the grave. In later Anglo-Saxon times the world had other standards. According to report, the Venerable Bede knew it all, a monopoly which is not now enjoyed even by sophomores.

Italy for many years monopolized the world's trade. In the age of its greatest glory manufacture had to be conducted in warm climates. The uses of coal were unknown, and civilization had not invented chimneys. The introduction of these factors into the cold regions of England and northern Europe, and the employment of coal as a fuel, transformed the world's trade. In fact, it is only now, through the agencies of water diverted to dynamos, that Italy is regaining the position it lost some half a thousand years ago.

Commercial preëminence has always had a precarious tenure, but less so in the past, when changes did not multiply as they do in the current age of invention. Nevertheless the story of the ancient mutations of trade gives convincing proof that in no period has man been able to monopolize in any corner of the earth the secrets of success. Some-

times nature has interposed to destroy the artificial advantages boasted of by nations that enjoyed them. At one time, when the dietary obligations of religion were more regarded than they are to-day, the nation that controlled the herring catch was master of the world's commerce, but when that fish in its migrations shifted from the East to the West bank of the Baltic, the traffic of Europe was transformed. Holland for ages mastered the traffic of the Old World, and during the period of its ascendency England's position in foreign trade was not unlike America's to-day. That island empire furnished raw material to the Continent. In fact, it was a cynicism of the fifteenth century that a manufacturer in Holland could buy a fox from England for a groat, and resell the finished tail to England for a guilder. England was diligent in husbandry, but the yeomen of that island seem to have been willing to go on indefinitely gathering wool for the looms of Flanders.

But many causes, notably the employment of coal and the religious persecution of Continental weavers, converted England into a manufacturing center, and its progress gave convincing

proof that it was possible after all to beat the Dutch. England had no sooner risen to the control of the world's commerce than it imagined that destiny had chosen it as the nation preordained forever to make the wares and garments for mankind. To safeguard its appointed rôle it prohibited the importation of machinery into the American colonies. The first manufacturing done on our continent was accomplished by the aid of machinery, the designs of which had been stolen in the factories of England.

Now the United States has become the leading manufacturing nation. It produces in a year as many factory goods as Germany, England, and France combined, and because some of the foreign nations have found it to their advantage to buy a few of our articles, the jubilant American, reviving the old spirit of Holland and England, imagines that we are engineering a commercial invasion of the world, and that all markets are ours to command. As a matter of record, we sell to Europe less than two per cent of our manufactured output.

As the superior nation we introduced Japan

to the opportunities of modern progress. We taught China to use American cotton cloth, and that Celestial Empire now buys more cotton goods from us than Europe does, but it buys more from Japan than it does from us. To-day, instead of being commercially supreme in the Orient, America is doing day labor for Japan. We toil in our plantations and send our bales across the Pacific, where the Mikado's factories convert them into finished goods for the millions of Asia. Like Europe, Japan is making more money out of our cotton crop than we are. In fact, we are beginning to buy back from Japan cotton cloth made of raw material raised in the Gulf States of America.

The quick interchange of cargoes in this age of steam makes national monopoly of commerce impossible. Japan buys bristles in Germany, bone in the Chicago stockyards, combines them into brushes, and outsells similar French goods in the stores of Boston and New York. In 1906 there was landed at San Francisco a cargo of American school books printed in Japan! At a native restaurant in Tokio, after fumbling with chopsticks, I was offered a fork made in

Germany and a knife from Sheffield. We call their chief manufacturing city, Osaka, the Chicago of Japan. They call it the Manchester of the East. We refer to the Japanese people as the Yankees of the Orient. They call their island the Great Britain of Asia. We imagine that we have Americanized that land. Everything that they have adopted that is not Asiatic they dub European.

Many people believe that our assertion of the Monroe Doctrine has given us a monopoly in the trade of the southern half of the Western Hemisphere. But while we have been preaching the political gospel of America, Germany and England, and even Italy, have been taking up the collection. There is a billion-dollar industrial trade south of the Caribbean, but the share of the United States in it is too paltry to consider in the totals of our prosperity. It is equally true in invention that the monopoly is not American. America produces an Edison, but Italy matches him with a Marconi, and when the flying ship becomes a success it will trace its flight back to the experiments of Santos-Dumont of Brazil. We believe in Amer-

ica that we are very vigilant in watching for smugglers at our frontiers. When I was in Berlin I visited the exhibition conducted by the German Government in which the use of X-rays in customs examinations was demonstrated. A bale or crate of merchandise is placed in the track of this mysterious light, and any jewelry secreted within is clearly revealed.

I remember that a prominent Federal official went from America to the Old World and reported upon his return that he saw nothing in the postal systems of Europe superior to our own. In New York it takes two hours to send a special delivery letter from Harlem to Twenty-third Street. In Berlin, through the Rohrpost, a letter can be sent a similar distance in two minutes.

It would be advantageous to all people if the statesmen of the world, foregoing for a season their provincial boasting, would convene in international session and exchange ideas regarding the world's progress. I was impressed with this fact when I had occasion in Budapest to send a registered letter. Instead of having to wait for a clerk to copy the superscription and

hand me a receipt, I had simply to show the letter properly stamped, and then drop it in a mechanical contrivance, which immediately issues a receipt card automatically dated and numbered. It makes the system of registering a letter in Hungary as simple as dropping a piece of mail in a letter-box is in America. The internal mechanism of the registration is, I think, somewhat similar to that which disgorges chewing gum and chocolate in penny-in-the-slot machines in the United States. I desired to test this innovation, and so I mailed a letter in Budapest addressed to myself in a hotel at Munich. There came out of the mysterious machine a card, the top of which bore the following legend:

Postai feladó vevény
a budapesti 4. sz. posta-és t.-hivatal
önműködő gépszekrényén
1906 AUG.—7. I–318
sz. a. feladott ajánlott küldeményről.

Two hours later I took the train to the Bavarian capital, and the day after I arrived in the hotel I received word that there was a registered letter for me at the post office.

The German system of postal money orders is far superior, it seems to me, to the American. You hand the money into a German post office, give the address of the person to whom it is to be sent, and walk away with the receipt. That ends your responsibility. The government carries the money to the house, and even to the room of the addressee.

In Eastern American cities we struggle with the snow problem in winter streets. In Budapest they scrape it every morning at three o'clock into manholes, and boiling water, forced through the sewers by the municipality, melts it and carries it away.

Even in shrewdness no nation can maintain a monopoly. In an exposition at Berlin a man with a captive balloon announced vociferously that he would take anyone up for a mark. People crowded into his basket, and when he had them in mid-air he blandly announced that it would cost them twenty marks to go down.

In many things we might profitably take instruction from the Old World. In Hungary, when a member of Parliament becomes the di-

rector of a corporation he must resign from public office.

The progress made by individual nations is not proof that they are forging ahead of their neighbors. In the universal distribution of ideas various countries adopt those phases of advancement which appeal particularly to their need and temperament. We have heard much about the great destiny in store for Germany, which that country's dedication to system is popularly believed to be hastening. Scientific and systematic Germany has indeed accomplished wonders. "Who would leave Asia, or Africa, or Italy," exclaimed Tacitus, "to go to Germany, a shapeless and unformed country, a harsh sky and melancholy aspect, unless indeed it was his native land?" Nature has done little for Germany, even though that people has inscribed "Gott mit Uns" on the rim of their coin. A good part of the Fatherland is mountainous, and these mountains have produced blond giants, castles, and romance. But the ranges of that empire are not much of a commercial asset. Many of the little plains of Germany are barrens of scrub pines. I rode

through miles of country in that empire as unfruitful as the abandoned pine region in the Virginia wilderness. The part of Germany that is cultivated is made productive only by ceaseless industry and tons of fertilizing stuff. That thin soil tilled for a thousand years has become a freehold upon which only such a scientific people as the Germans or the Japs could upbuild a great empire. We have had a continental empire unmenaced by invasion. Germany for centuries has been either the battlefield or the warpath of Europe. We have great natural harbors. Germany has had to dredge hers. Even before the age of steam our rivers, with their natural fall, carried rafts and barges to the sea. You cannot, as you stand on the banks of the Spree in Berlin, tell which way the water flows, unless barges are passing. If the workmen, bending over long poles sunk in the mud of the stream, are laboriously pushing their slow craft, they are going downstream. Upstream because of the slight current, and because the scow is loaded, a steam tug is invoked.

With no advantages vouchsafed by the hand that created Europe, Germany has become the

greatest trading nation of that continent. I asked an American engaged in large operations abroad what he regarded as the secret of German success. He replied, "The Germans have learned to get out of a thing all there is in it." And no doubt a great deal of Germany's industrial triumph is due to system. Yet there are certain drawbacks in the insistent precision of these people which will prevent them from securing a monopoly in competition with the American, the world's greatest opportunist, who in his resourcefulness and ready daring does not hesitate

> To shake the iron hand of Fate
> And match with Destiny for beers.

I do not share the almost universal admiration for Germany's system. I crossed the Atlantic on a German steamer. On the night before reaching Plymouth we had a captain's dinner, a sort of Mardi Gras affair. The captain was called upon for a speech, and he made it with great readiness. It was obviously a set performance, arranged for all similar occasions. The whole cruise across the Atlantic had been

like a trip on a pleasure pond. There was scarcely a breeze or a ripple; yet that speech, born of the German system, referred to the coming joy of reaching a safe haven after a perilous and tempestuous voyage.

One day I talked with an officer in the chart-house under the wheel. He was recording the temperature of some water just then hauled up from the deep. He explained that they took the temperature of the Atlantic every two hours of the day and night, and that the record was carefully preserved and afterwards printed on maps. Some of these, as big as a wall, and covered with microscopic details of tides and wind-currents and ocean temperature, he unrolled for my edification. I was impressed with all this German thoroughness, and I said, "What is the purpose of this elaborate work?"

"Oh," he replied, "it is for the Hydrographic Office in Berlin."

"Yes, I understand that," I ventured, "but what nautical objects are served by this detailed record?"

"The Hydrographic Office prints it, and gives us a copy," he explained.

"And what do you do with the copy?"

"We compare it with the temperature and the tides as we go along."

"And if there is any variance, what then?"

"We report it to the Hydrographic Office in Berlin!"

And that was all I could get out of him.

When the steamer anchored in the harbor of Plymouth, the instruction given to the steward who received cablegrams was that they were to be distributed on the port side, where the harbor steamer was expected to come, and where naturally the ship's passengers would crowd. For some reason of wind or tide the little vessel taking off passengers England-bound shifted to starboard, and with it the passengers, both those who were embarking and those who were looking on. But the steward, obedient to the German system, stayed on the port side with the cablegrams. When the harbor craft had steamed away one of my fellow passengers received a cablegram from Cherbourg which read:

"Change your plans and get off at Plymouth."

MONOPOLIZATION OF COMMERCE

We have been taught in America that Germany's systematic method of going into every subject, whether it be commerce or chemistry or conic sections, would in the end force all foreign competition, even America's, out of the field. This isolated method of extolling the particular triumphs of one land and not considering corresponding successes, due to other talents or resources, in another, invariably gives a distorted conception of world affairs. America has thoroughness, too, and where it falls behind Germany in painful fidelity to system, it more than makes up for it in the originality and initiative of the individual. From the beginning, America has displayed this virility, which, scorning precedent, wins unique success. A British general with a thousand men besieged one of the Northwestern ports established by James Rogers Clark. A gaunt Kentuckian was the sole occupant of the stronghold, but he darted from gun to gun and kept up the bravest possible fusillade. Finally the contending forces ceased, while the lone American advanced, a flag of truce in hand, to arrange the terms of the port's surrender. He demanded that it

should be with all the honors of war. This the British general conceded, and the American, having returned to the fort, emerged with a rifle and a blanket, and marched past the amazed thousand in the British army. During our war with the Filipinos, an American captain sent word to the mayor of a city of eight hundred hostile people: "Unless you surrender before noon, I shall move upon your city with the entire force under my command." The town capitulated in haste, and the American captain, whose force consisted of fifty men, took possession. Grant on one occasion summoned three technical engineers and one experienced superintendent and ordered a bridge built across a river. The practical man went to work and the engineers retired to their chart rooms. The next day the general called the superintendent:

"How is the bridge getting on?" he asked.

"It is finished," was the reply, "and the army can march over unless you want to wait for the engineers to finish them pictures."

According to the German system little if any provision is made for genius that transcends the

rules. Reliance on haphazard and the Fates is of course not the law of modern progress, but neither will the nation totally enslaved to system rise to all the opportunity the times present. Germany itself is a land that has been blessed by generations of genius, and to-day many of the keenest and most progressive people of that empire are making sport of the very system that other nations are taught to fear. One of the most telling cartoons in Berlin, when I was there, was an exaggeration of an actual incident that took place during military maneuvers in honor of the emperor. A company of soldiers in a half-kneeling posture attracted the attention of some cows, which came up and licked the faces of the men, but as they had no instructions to change position, they all to a man submitted impassively. It was a superb triumph of system, but all Germany rang with the laughter that started when the news was carried back to the city. In Hamburg I went to a bank to cash a letter of credit. I signed my name, and the clerks went back to a rear room, where they entered into an animated discussion as they looked from the old to the new signature.

Finally one of them came forward and said that I had made my " B " too big.

On a two and a half hour ride from Munich to Kempten I traveled with a professor who consulted maps frequently, compared time-tables, and made many marginal notes and markings, folded up the maps and pamphlets carefully, placed them with fine precision in a black packet; but when the train arrived five minutes ahead of schedule time, he rushed excitedly away, leaving all his precious memoranda on the seat!

Some of our theoretical economists have attempted to alarm America by the spectacle of German consuls educated at consular schools and going out with that systematic equipment to make swift and sure the Fatherland's conquests of world-markets. The training which gives these young men a knowledge of remote languages is of great value, but the secrets of commercial successes are not cornered in any college. The chemist can get up the formula, but it takes ads to sell the patent medicine.

When we indulge in animadversions upon the American consular service, comparing our repre-

sentatives invidiously with the system-bred consuls of Germany, we close our minds to the fact that the consular body of the United States as a whole is at least a decade ahead of the business needs of America. December, 1906, sees the three hundred and third volume issued by the United States Government containing the trade reports of our consular service. This is a great library of world information. There is perhaps no important field of opportunity in any part of the globe that has not been intelligently described by our representatives. So valuable are the daily bulletins published at Washington, containing accounts of the commercial opportunities abroad, that the foreign legations at our capital secure these little booklets daily as soon as they appear, and frequently cable the substance of their contents to European cities. And the scholastic consular schools of the Old World obtain valuable data to impart to their youth from reports prepared by American representatives in distant fields.

In 1905 President Roosevelt made some new arrangements for the management of the consular publications, which are, of course, issued without cost to the American people. Newspapers made

mention of the innovation, and some of the manufacturers of this country learned for the first time that there was such a thing in existence as a federal daily devoted to foreign trade openings. And these American business men who during all these years had been oblivious to the strenuous efforts of the consular service to extend their trade, wrote to the Government, asking what the terms of subscription would be for the consular magazine and what the rate would be for a full-page ad.

Germany has gained over America in the trade of many parts of South America, and the policy inaugurated by Bismarck has enabled that empire to sell to all the nations a hundred per cent more manufactures than we export. But that is not due to any superior excellence in the German consular service, it is not due to the much-extolled system of Germany, but is a part, as I have stated in earlier chapters of this volume, of a great world advance. No nation has secured a monopoly of this prosperity, and the reason why America's showing abroad cannot compare even with that of a circumscribed nation like Germany is that we have not seriously tried. If we were not complacently content to count in kerosene and

copper as manufactures, the pitiful showing of our outgoing cargoes of factory wares would take all the flamboyance out of our political statistics. But we like to swell these figures to give fictitious force to the argument that, without making reciprocal concessions to foreign states we are flooding them with our finished products. When we sell oil to nations that would otherwise sit in darkness we have not exhausted the resources of the trading genius of America; and, as I have indicated, the imports of our copper into Germany, enabling that country to supply the equipment for the electric-light and power plants of South American cities, is not the kind of triumph of which American people boast, even in the heedless fury of campaigns. We have not been candid with ourselves in our statistical returns. It is a dry morsel that most people get from tables of statistics. America has been too busy to analyze these columns. A farmer wrote in to one of the Government bureaus asking for "its big book on foreign trade," and saying that he would like to have it at once. Gratified at this indication of an awakening public interest in its laborious compilations, the Government responded that it issued

several such volumes, and if he would indicate which one was desired it would be forwarded without delay. The farmer wrote back that so long as the book was thick and heavy it didn't make any difference which volume was sent, as his daughter wanted it to press autumn leaves in.

In such a condition of the public mind it would be easy to prove anything with statistics, and even the most watchful experts cannot always detect the ingenuity in patriotic figures. To supply material for American boastings it was deemed desirable in one year to prove that the United States produced a greater quantity of oil than Russia. That country weighed its product; we measured ours in barrels. Reduced to a common unit of measurement the foreign yield was found to exceed our own. But that would spoil the argument. Loyalty came to the rescue with the technical information that the Russian barrel holds more than the American. Thus, while there was more oil in that country than in ours, there were fewer barrels, and so in all truth and soberness we announced that America in that year had produced more barrels of petroleum than the land of the plodding Slav.

Confusion has entered into the whole subject of comparative trade statistics, through our mistaken patriotism in ignoring the progress of other nations. I do not say that we have boasted overmuch; in fact, our most vaunting spread-eagleism has not obtained even a bird's-eye view of our prosperity. But we have no monopoly on success. England still holds trade dominion over palm and pine, even though we spare from our vanishing forests an occasional flagstaff for that nation's banners. We have nearly 1,500 miles of seacoast, facing the continent and islands of the East, where the majority of the world's millions dwell. Already they have built up a foreign commerce greater than America's, and we, through our prosperous indifference, enjoy but five per cent of it. We have insisted upon the open door, but the goods of Europe and Japan, instead of ours, have passed through. We could crowd into our own colonial harbors, if we cared to, we could dominate the trade of the mid-Pacific islands lying in the very center of what we delight to regard as our manifest commercial destiny. The same industrial and financial genius that has transformed the American continent, if it could spare the time,

would grasp a big share of the opportunities in the Orient.

Relatively, when we consider the larger opportunity, because of the greater wealth of Europe, our trade with that continent, save in the raw materials which the Old World needs in its industries in order to outsell us in South America and Asia, is almost as great a fiasco as our traffic with the Orient. In the totals the trade is big, but not big for an age when even a diminutive nation like Germany measures its foreign trade in billions, with the totals in facts slightly larger than our own, and when the Lilliputian Netherlands, with an area equal only to Maryland, has an external commerce nearing the $2,000,000,000 mark.

There are fish in the sea beyond Cape Cod. If America would adjust itself to the new reciprocal programme in the world of commercial affairs, our foreign trade would magnify itself vastly, without solicitous care on the part of statesmen. And far more valuable than the immediate profits from that expansion in commerce would be the increased stability imparted to American prosperity, through the unification of the trade interests of all nations.

CHAPTER XI

THE STANDPATTERS

THE fact that conservatism has held out against the plan and possibilities of reciprocity is in itself no argument against that economic innovation. Every idea that has resulted in benefit to mankind has always been condemned at the outset by the standpatters. The first man who induced Philadelphia to buy coal as a fuel had to flee the State to escape arrest for obtaining money under false pretenses. Gas was opposed in that city, as in other American communities, on the ground that this element let loose in the city would poison all the inhabitants. Before the Boston School of Technology a learned engineer presented a paper in which he proved to his own satisfaction and doubtless to that of his audience that a steamer could not be built large enough to carry sufficient coal to propel itself across the Atlantic. Although up to the third decade of the

nineteenth century Americans used the same kind of plows that Cincinnatus left in the field, the steel plow was vigorously opposed because it was believed it would poison the soil and ruin its fertility. Both in Boston and Paris the sewing machine in its early days was demolished by mobs. Howe turned his back on America and sailed to England, and there he met with such indifferent success that he traded the sewing-machine rights in all the territory of Great Britain for a ticket back to America.

When Anglo-Saxon civilization boasts of its manufacturing genius it forgets that Arkwright, the founder of the modern factory system, located at Nottingham and gave that city its start as a center of industry only because the cotton-spinning population, enraged, drove him and his celebrated spinning frame out of his native city of Preston. In like manner Hargreaves, the inventor of the spinning-jenny, was clubbed out of Lancashire. When Samuel F. B. Morse, in pitiful want at the National Capital, where he had repeatedly demonstrated the possibilities of telegraphy to the President, members of the Cabinet, and Congress, wrote to his friends for a little more

assistance, he had to borrow the postage that conveyed the letter. When, finally, after his ten years of waiting and pleading, Congress voted an appropriation of $30,000, to construct an experimental line from Washington to Baltimore, a satiric standpatter, who afterwards was given a place in the Cabinet, moved that a part of the appropriation be used for the survey of a railway route to the moon. Even after the telegraph had become a recognized part of American civilization, it was sparingly employed. On the night that Lincoln signed the Proclamation of Emancipation, a Washington correspondent of fine standing was summoned to the White House, and given the substance of the now historic document. With great elation over the epoch-making, world-stirring news, he rushed to the telegraph office and began his message with four lines from the classic hymn:

> We are living, we are dwelling
> In a grand and awful time.

Within a week he received a letter from his managing editor in New York, expressing appreciation for his matchless piece of news, but add-

ing that inasmuch as they had to pay for every word transmitted by wire it would be better thereafter, if he had occasion to quote from hymns, to telegraph merely the page and number, as they had a hymn book in the office.

The world moves rapidly in these matters, just as it will in international economics when it finds that self-interest is advanced by the adoption of up-to-date ideas. Newspapers to-day, sending their own yachts to the seas where hostile warships are in death struggle, and sending messages by wireless equipment, typify the march of events. When I was in Tokio, during the Russian-Japanese War, more than forty correspondents, representing all the leading dailies and weeklies of America and Europe, were cabling messages every night. One of the men that worked these expensive wires most industriously was an Italian representative of a morning journal published in the city of Rome. Some months before wireless telegraphy was announced as a proven reality, I had the pleasure of interviewing the inventor Tesla on the subject. He said that the day was at hand when men by the use of towers on the seacoast would talk across the ocean, and that

New York would without wires some day call up London, St. Petersburg, or Shanghai with the same facility that we now telephone to Hoboken, Baltimore, or Chicago. With much jubilance of spirit I took my interview to one of the leading papers of New York. The editor was greatly interested, but said that as that journal was exciting the condemnation of conservative people for its yellow hue, it could not afford to print this fantastic dream of inventive lunacy.

Every invention and every new economic idea has to fight the old conservative unalertness which has retarded progress. When Westinghouse first introduced his air brake one of the biggest railway magnates in America brought the interview abruptly to a close with the statement that he had no time to talk to a fool who thought he could stop a railway train with wind.

When George Washington, as President, signed a bill appropriating $7,000 to send a regiment to put down a rebellion among the Indians who inhabited what is now Illinois, Indiana, and Ohio, he was denounced in the press as an imperialist, a traitor to democratic ideals, and one who would go down in obloquy

to his grave. It was claimed with much warmth that there was more land east of the Alleghany Mountains than the American people would ever be able to cultivate, and that it was tempting fate to push the fortunes of this Republic into a wilderness overrun with wild beasts and still more ferocious aborigines. The conservatism of Daniel Webster in objecting to making the present State of Washington a part of the American domain on the ground that the term of the future Senator from that commonwealth would expire before he could manage to reach the national capital, has become a piece of classic humor in the political history of the United States.

American statesmanship objected to the annexation of any territory beyond the Rockies, claiming that human life would never be able to sustain itself in the burning deserts and pestilential swamps beyond that ultimate barrier. One profound standpatter was glad that the god Terminus had erected his throne forever on the peaks of the Stony Mountains. It was the same element that objected to the purchase of Alaska, claiming that that folly was nothing but an investment in icebergs and volcanoes. The same spirit moved

in the protest against the annexation of Hawaii and the purchase of the Philippines.

"Will not America get into trouble in trying to manage these islands?" asked the Senate Committee of the former American Governor of that archipelago. "If it does," was the reply, "it will be in the same line of business that this Republic has engaged in from the days of its foundation."

The "let well enough alone" policy is a cry of reaction. It is the protest of provincialism, and the whole world is rapidly becoming cosmopolitan. The present foolish indifference to the advance of nations sets forth the delusion that inasmuch as the "balance of trade" is in our favor, any reciprocal arrangement with the Powers would be superfluous. From the standpoint of the standpatter, international traffic consists only in merchandise. No greater fallacy ever beguiled legislation. If it were true that visible cargoes were the only profitable thing passing from country to country, the greatest commercial nations of Europe would have been forced into bankruptcy and repudiation decades ago. England, the greatest of all trading nations, has not had a favorable balance of trade in two generations! Every year

now the United Kingdom imports over 1,000,000,000 dollars' worth more merchandise than it exports. The unfavorable trade balance of the German Empire amounts in value to $250,000,000 annually, and France, the banker nation of Europe, the only country whose people have financed their own national debt, has an unfavorable balance every year of more than $100,000,000. The rich country of the Netherlands imports 130,000,000 dollars' worth more than it exports. Here are some of the countries that have a favorable balance: Bolivia, Brazil, Costa Rica, Guatemala, Honduras, Nicaragua, San Salvador, Colombia, Ecuador, Egypt, Hayti, Paraguay, Roumania, San Domingo, Servia, Siam, and the United States.

The arguments in Congress for or against any economic policy have no force either way when founded on favorable or unfavorable trade balances. It would be just as rational to cite only our exports of iron as compared with the exports of that same metal from other lands, leaving out of consideration the silks and dyes and mattings, wines, and jewelry exported by countries that do not produce a single pound of iron ore. It will

astonish the people who have been misled by statesmen, who are themselves misled, to learn that the invisible imports into America exceed in value all the merchandise shipped to us from foreign lands. These imports consist of stocks and bonds bought in foreign markets by Americans, interest and dividends on American securities owned by foreigners, the increase of American bank balances abroad, the reduction of foreign bank balances in the United States, the fortunes spent by American tourists abroad, the money spent by Americans in ocean freights to foreigners, the various investments by Americans in foreign countries, and the profits accruing to foreigners from manifold investments in America. All these things must be included in the table of invisible imports, for they all represent vast sums won from the United States and turned into the pockets of Europe. In all this there is nothing to deplore. On the contrary, it is auspicious of that New Internationalism which, unseen, is making the nations one. More than half a billion annually leaves this country for investment by Americans in the stocks and bonds of Europe, and altogether much more than a billion of American

gold is harvested annually by Europe from the American field. And this invisible billion is not included in the billion and more worth of merchandise bought by America abroad. Similarly, these prosperous nations of the Old World, gleaning dividends from every country in which foreign capital has been invoked to develop enterprise, are piling up fortunes not represented in the statistics of foreign trade. The reason why England can go on decade after decade buying a billion dollars' worth of goods more than it sells to the nations, is that all the world is rendering tribute in money to this great creditor power. Always in its days of greatest prosperity, when it raked in revenue from every conquered state, imperial Rome imported far more than it sent away. It is a curious political fatuity that lends itself to the idea that what goes out of a country in the way of material things is of more value to that nation than what comes into it. In the days of its prosperity, when its world-wide investments are bringing in fat returns, a nation like Germany or England or France can afford to buy the best the world affords. When it is feared that foreign nations will flood us with their

wares if we should open the gates of reciprocity to them, it is forgotten that no people will sell us merchandise at any price unless we can pay for it.

One of our Congressmen, voicing the amateurish conception of an impossible economic policy, wished that the Atlantic and Pacific were two seas of fire consuming every cargo that should attempt to enter our ports. The comical notion is prevalent that somehow when we ship materials to the Old World, we are getting the best of the bargain. As a matter of truth, Europe is making more money out of our raw cotton and our copper and other products that enter into the industries of the Old World than we are.

Whoever wishes to go more in detail into the delusions on the subject of favorable trade balances, would do well to consult the United States Government's record of exports according to customs districts. As everyone knows, the wealthiest ports of America are on the Atlantic, and these are not the sections that give the United States that so-called favorable trade balance which our standpat statesmen boast. For example, New York, the richest city in the Western Hemi-

sphere, frequently has an unfavorable trade balance. The latest figures are for the nine months ending September, 1906. The imports were $565,825,405. The exports for the same period were $463,368,786.

Boston, which, like London and New York, has investments abroad, imports frequently millions of dollars' worth more than it exports. The favorable balance in America is produced through the large shipments of raw cotton from the Gulf ports. The great profit on those cargoes is enjoyed, as I have indicated, by the foreign industrial nations that spin the cargoes into garments. The Gulf ports for the nine months mentioned above imported goods valued at $41,381,349, and exported $238,395,198. Corpus Christi, Texas, Paso del Norte, and Siluria on the Mexican border, invariably have a striking favorable trade balance!

We have ravaged our forests, mined our mountains, and taxed the fertility of our soil, to send commodities to Europe, which, even though we call them manufactures at times, are divided from raw material by some simple single process. Natives on an island could, by stripping cocoanut

trees, boast of a favorable trade balance. Nor is that illustration of the folly of taking the preponderance of exports as a test of prosperity grotesque. Some of the countries that produce rubber have been forced to interfere with the crude and ruthless methods of gathering it, which made possible a marked trade balance in favor of the exporting nation, but which was robbing it of its most valuable asset. Neither exports nor imports in themselves are necessarily an index to a country's advance. For a decade the imports into Japan have been annually greater than its exports. These goods, consisting of electric motors, engines, lathes, steel girders, telegraph wires, raw cotton, pulp, leather, wool, locomotives, dyes, and spindles, have entered into the industrial development of the Sunrise Kingdom. Instead of an economic loss, its unfavorable trade balance has been a leading factor in that country's splendid expansion. After awhile the tide in Japan will turn. It will be called upon to build the foundations of continental Asia's modern greatness. Its exports will give Japan a favorable balance, but afterwards income from investments abroad will enable Japan, like England and Germany and

France, to buy more than it sells. The Eastern world will be rendering tribute to the Japanese, and it will be paid in the form of many cargoes.

No fallacy has persisted more tenaciously in America than the standpat doctrine that our favorable balance is an occasion for continued rejoicing. As a matter of fact the accounts of nations balance. It is only the man who is not familiar with all the entries in the international ledger who founds his political sophistry on the single item of merchandise. The invisible trade of most of the prosperous nations is greater than the statistical record of cargoes. Even the shipment of gold from one nation to another does not indicate what partisans delude themselves and their followers into believing. The rise of two cents per sovereign in exchange makes it profitable for Americans who have bills to pay in London to ship the gold instead of buying a draft on London. Such a rise likewise has a tendency to reduce imports in the United States, and to stimulate our export trade, for it gives the sovereign greater purchasing power, which is the same as if we reduced the price of our commodities shipped abroad.

All these are technical questions, and do not lend themselves readily to expedient campaigns. The greatest expert in the United States on this important but little understood subject of international fluctuations said to a company of students, that they should not be discouraged if in the course of his thirty-minute talk they failed to understand fully a subject which he had been studying thirty years and did not understand himself.

The important thing is that the standpatter is boasting of a trade he has not won, glorying in traffic and financial movements he does not understand, and which, if he understood, would show him the provincialism of his attitude, and what is more serious, he is attempting to revive the embargo act in an age that has become international. There must be cargoes in both directions to give enduring vitality to trade.

CHAPTER XII

TRADE MISTAKES AND SUCCESSES

ALTHOUGH America as a commercial nation has made no comprehensive effort to enter foreign markets, the number of manufacturers looking far afield for opportunity increases every year. At the outset we are making many mistakes. When I was in southern Europe I learned that several American manufacturers of hand-grenades had been making a strong but ineffectual effort to introduce fire extinguishers in the halls and rooms of cities built of concrete.

European government imposes a fine upon foreign incoming mail which has been insufficiently stamped. An American firm doing business with a Berlin house invariably failed to affix the proper postage. The German firm, calculating profits to a pfennig, and annoyed at the fine (double the amount of the absent stamps), wrote to the company in the United States a courteous but definite

protest. The American firm immediately prepared a letter of apology, but when the letter started to Germany it bore a two-cent stamp!

Americans do not take the pains to study the conditions and demands of foreign markets. To develop over-sea trade has not yet become a serious purpose in American industry. The women of India are persistent buyers of brilliant-hued calico, and some American effort was made to secure their patronage. These people are accustomed to get painted glass trinkets with every piece of goods, but great American houses did not see the reason for supplying these baubles. But the cotton-mill men of Germany made a deal with the toymakers of that country, and now the calicoes of Chemnitz and all kinds of parti-colored gewgaws brighten the road to Mandalay.

An American manufacturer of clocks learned that the natives of West Africa were buying these timepieces in great quantity, but getting them from an English firm. The American sent for a sample, and began to produce competing clocks of the same style, but in superior finish, and offered them to the Kaffir tribes at a price below that paid for the British output. But the Africans

ignored his overtures and went on buying the clocks of Great Britain by the thousand. Then the American did what he should have done at the outset—he sent an agent into the field. There it was learned that Africa preferred the British clock because it had a louder tick! A clock in a hut was an indication of native prosperity, and the owner wanted his neighbor to hear it.

It is an oft-repeated complaint from consuls that Americans fail to pack their wares to stand the rigors of foreign climate and transshipment. Food stuffs frequently sour under a tropical sun, and dyed materials are washed out by the downpour on uncovered foreign piers. Goods consigned to Caracas and other cities, into which freight is carried on pack-mules, are sometimes consigned from America in such bulky cases that nothing smaller than a freight car could haul them from the ship. Catalogues in English are sent to countries where the prospective customers cannot read our tongue, and even when we take the precaution to translate our business circulars into the language of the foreign market, we express our prices according to weights and measures unheard of in the land we are trying to invade. Every

non-English speaking country from Germany to Japan, including the republics of our own hemisphere, employs the metric system, but the usual American manufacturer whose cup of plenty is running over doesn't know the difference between a kilogram and a kilometer and doesn't care.

The indisposition of an American to learn alien tongues and to comply with unfamiliar conditions has been, in a measure, the secret of his success. We have compelled the nations to send their ships to us. We have compelled foreign people, even the buyers, to adapt themselves to our ways. An American newspaper representative in France at the wreck of a steamer, near the coast at Brest, attempted to interview twelve survivors. "Unfortunately," he cabled to America, "none of these people could speak English." On the train from Cuxhaven to Hamburg an American girl tried to decipher the names on a map in the corridor printed, naturally, in German. I overheard her exclaim, "What's the use of putting up maps when they don't print them in English?"

Our intense Americanism, voicing itself in many piquant ways, is an expression not so much of ignorance as of conscious strength. We know

that we have the goods in America, and that if we needed to we could deliver them. If the United States were confined to the strip of territory east of the Alleghanies, that Atlantic republic would have a greater foreign trade to-day than our continental nation, for it would need foreign markets. While we have not made any concerted effort to extend our commerce to foreign fields, our political exaggeration of what has been accomplished, and the oratorical prophecy of an American conquest of coveted markets abroad, have alarmed the whole of Europe. The American peril has startled all the trading nations of Europe. The need of a Zollverein to resist our fancied commercial invasion has been made an anxious issue in Old World nations. The president of the Chamber of Commerce of Lower Austria, a member of the House of Peers of Austria-Hungary, exclaimed in addressing that body, "Unless Europe hastens to protect herself, she will be crushed by the United States. That country has recently pursued a policy which is intended to reduce Europe to a condition of economic dependency, and to make the United States the center of the whole manufacturing world." A member of the

French Chamber of Deputies shouted to that body, "The American peril is advancing with irresistible force upon unhappy Europe. The Napoleons of American finance contemplate nothing less than the economic conquest of Europe, and unless steps are taken, the nations of the Old World sooner or later will be subject to the financial mandates of the United States."

We see the absurdity of this international fear when it is expressed by the foreigner. The *Saturday Review* of London has tried to explain the Yankee peril by saying, "No other nation has so entirely given itself over to the making of wealth as the whole duty of a people. Never has there been a people in which the discrepancy between their performances as traders and their achievements in every other capacity has been so great." And that great publication concluded that if America ever began to direct its energies to the fostering of art, its days of commercial leadership would be forever at an end.

America has only itself to blame for the European alarm or misconception of our attitude. We have billposted the world with advance notices of our prosperity. We have talked about foreign

invasions by American traders when we have been unable to handle our domestic commerce. We are building a canal across the Isthmus in the interests of our manufacturing cities which, with the broad Atlantic for a trade path, have not been able to send cargoes to the Eastern seaboard of Latin America which conducts with Europe an annual import and export trade valued at over $1,000,000,000. I have before me an authoritative statement that in ten years the railroads of the United States expanded only twenty per cent, while the handling of the business had increased one hundred and ten per cent. It would take $4,000,000,000 to add 120,000 miles of track to handle the prodigious increase in American business, and with that additional mileage there would still be a great volume of domestic trade clamoring for more facilities.

Not long ago an American consul in Europe complained that American manufacturers, when they visited his district, instead of looking up trade opportunities, spent their time loafing around ruins. The ordinary prosperous American flees to Europe for a season, not to find business, but to dodge it. He is surfeited with

American success. What he wants is variety, and ruins probably supply it.

Europe has worked up the alarm that America is not only prepared to cover that continent with our wares, but that we are also about to take commercial possession of the Latin republics. After the last Presidential election the State Department at Washington was advised of an influential statement made in Germany that the success of the Republican Party carried with it a grave menace to German interests in South America. Because of the outcome of this election in the United States, this nervous utterance concluded, "Germany has every incentive energetically to defend her present position in the markets of South America. What can we do to ward off the American attack?"

It is apparent that America has no monopoly on trade alarms. If our dominion extended to Patagonia, the imports from Germany into the southern half of our hemisphere would vastly exceed that empire's present commerce with Latin America. Every country's political shibboleth, based on fancied commercial peril from other lands, is a part of the old legacy of fear from the

days when pillage was a short cut to prosperity. The only thing in international traffic that can work injury to any state is unjust discrimination. What is true in the laws of trade between the nearly half a hundred commonwealths of the American Union applies with equal force to the commerce between nations. The advancing industry of one state, instead of injuring the welfare of the others, increases the material welfare of all. What hampers the progress of any individual or community is artificial advantages given to favorites at the expense of others. What we have to fear in German competition is not imports from Germany, but the exclusion from its market of American goods, while the wares of other trading nations pass in; and a still more serious handicap is Germany's growing control of railways in South America and Asia, over which, when we really launch ambitious cargoes, we shall have to transship to the interior market. Against patriotic rates given to German exporters, and denied to us, America could not possibly compete. All the issues against illegal combinations in restraint of trade on this continent will come up sooner or later between the nations. The problem is the

same. The only difference is in the size of the field. The mistakes of nations in fearing reciprocal exchange will prove to be as foolish as if Pennsylvania should protest against the economic danger of imports from New York.

According to the fantastic doctrines of statesmen who believe that the commodities of one land are injurious to another, the rise of industrial America should have paralyzed the prosperity of Europe. Instead of that, we are the best customers of the German Empire, and altogether we buy more than half a billion worth of merchandise annually from Europe.

The present European fear of American competition has assumed many peculiar expressions. Many of the factories of Germany are barred to Americans. It actually takes more influence to get into some of the big industrial plants of Berlin than it does to secure an audience with the Emperor. There may be some justification for this alarm. A technical professor in a school at Charlottenburg said that an American no sooner sees a new German machine than he straightway makes a better one. But while the manufacturers of that empire have been warned

not to divulge the methods of their business and the chemical processes of their industry to prowling American consuls, the ambitious monographs on foreign opportunity prepared by our representatives travel with careless assistance to the American waste basket.

It is gratifying that wherever we have actually made definite effort to increase the foreign sales of high-class American products, we have greatly succeeded. In Germany I met an alert American from New York, who represented a big tobacco firm. As is well known, there is no country in the world where good cigars are as cheap as they are in that empire. After a dinner one evening in the finely decorated concert auditorium of the celebrated Hofbrau House in Munich, a great establishment conducted with such scrupulous care by the Government that debates upon the proper proportion of foam on the beer served there have been heard in the German Parliament, I called for a twenty-pfennig cigar. Twenty pfennigs is equal to five cents. The fraulein explained that they had no cigars in that institution higher in price than fifteen pfennigs. Therefore, when I met this New York tobacco representative, I said, remem-

bering the very satisfactory smoke I had had for less than four cents, that surely he could not expect to sell American cigars in Germany, especially after paying that country's duty. He replied that they had a very big trade in the Empire, and that it was growing rapidly. "What kind of cigars do you sell here?" I asked. "The highest-priced brands made in America," he replied. I was surprised later when I was informed that Germany imports twice as much wine as it exports, and nearly three times as much tobacco.

A few years ago the proprietor of a great steel-file company in New England, which has several branch factories in various parts of America, altogether employing skilled workmen by the thousand, called at the office of a forwarding firm in New York, one of whose partners is a European, and asked that they suggest the proper man to introduce his files in Europe. This factory makes 7,000 varieties of files, and enjoys a great reputation throughout the mechanical world of America. The agent selected was a European, who had been Americanized, who believed in the virtues of the files he was to sell, and who was familiar with the great opportunity in industrial

Europe. He went from one manufacturing town in the Old World to another, and to demonstrate the superior quality of the American implement, took similar European tools and filed right through them, to the astonishment of foreign mechanics and factory owners. Orders began to go to America by cable. It was not long before one request reached New England from Germany for 100,000 dozen. A good salesman and superior goods had done the work. The salary of the agent was raised to $20,000 a year and expenses, and the American file to-day is furthering the constructive work of every mechanical center in Europe.

That success gives some indication of the lasting triumphs awaiting the real commercial invasion of the Old World. Instead of injuring Europe, such trade successes contribute to its prosperity.

Contrast that masterful record with the fiasco of the American who spent $2,000 to introduce a corn remedy into Japan, only to discover that the multitudes of that empire wear no shoes and consequently have no corns.

The success of America abroad is sure, when

the men who have made this nation industrially great plan the foreign campaign. Our trade abroad will be transformed when commercial America takes practical occasion to embrace the opportunity. When that time comes, and many people believe it is not dated for a remote period, the politicians who have stood in the way of reciprocal treaties with the great purchasing nations will be brushed aside. Sooner or later America, as a maritime nation, will rub from its binoculars the dust that has dimmed our foreign outlook ever since our merchant marine began its almost incredible decline. This is a country of inventive and executive genius, unsurpassed in any land. There is no reason why our great career should stop at the tariff line. A Canadian firm secured an order for 3,000 steel wheelbarrows to be shipped to railway operations in South Africa. This commission house went to an Ontario manufacturer, who said that by installing a $20,000 additional equipment he could manage to fill the order in three months.

"I knew," said a member of this firm, an American, who related the circumstances to me, "that railway builders would not wait that long.

Moreover, the Canadian factory said that they would have to build a small part of the wheelbarrow of wood. The order read 'all steel.' I wired to a manufacturing firm in Chicago, stating specifications, and asking terms and the time required to produce the wheelbarrows. The reply came back immediately, that they would construct the 3,000 wheelbarrows totally of steel, and deliver them f. o. b. at New York in eleven days from date.

"That," concluded the American, "is the United States."

CHAPTER XIII

A SHORT CUT TO RECIPROCITY

RECIPROCITY as an international tariff principle is not revolutionary. America has at present reciprocal relations with several nations, and the Dingley tariff made provision for reciprocity on a scale as cosmopolitan as that distinguishing the present economic policy of Germany.

Under Section 4 of the Dingley Act, passed in July, 1897, the President was given two years to secure reciprocal trade treaties with foreign nations. No restrictions were placed upon the Chief Executive regarding the character of commodities which were to be the subject of negotiation. Yet the section was conservative, providing for ratification by the Senate of any reciprocal arrangements abroad, and stipulating that America should give to foreign nations no more than twenty per cent reduction on the regular tariff schedule.

As is well known, President McKinley sent John A. Casson, as Special Commissioner to a number of European countries, to negotiate reciprocal treaties. These documents are now gathering dust in the archives at Washington, as the Senate refused to confirm them.

Since that time Germany and other countries have adopted new tariffs, and, with provisions similar to Section 4 of our Dingley code, have proceeded to draft trade treaties with foreign states. The only difference is that they have made effective a policy which we initiated but failed to carry out. (Section 4 became inoperative at the expiration of two years.)

What the Casson treaties contain may not now be a guide, for the readjustments of tariffs call for negotiations on an entirely different basis. The revival, however, of Section 4 of the Dingley law would enable the administration to meet all the new trade issues without a wholesale revision of the tariff, and without in any way violating political precedent.

There are two forms of reciprocity adopted by European countries. One, which bases its trade arrangements on the maximum and minimum

tariff plan, is popularly known as the French system, for that country is the leading nation espousing it. The weakness of this economic policy is that if every country gave every other nation its lowest customs rates, there would be no special gain to any land. It would simply mean that one rail had been ripped off the tariff fences all around the world. The next step in a maximum and minimum policy to give any country an advantage would be a new double tariff with still lower rates, and when all countries had again been brought into negotiations, the result would be that, as before, the tariff walls would be universally brought down to a lower level. The logical result would be ultimate free trade among all countries reciprocally trading, and a low tariff wall erected against any land that failed to take advantage of unrestricted intercourse. It is not likely that any commercial country would be inclined or able to hold out against the free-trade opportunities created by all other nations.

That form of reciprocity tending inevitably toward free trade would be suited to America only during that period in which a limited number of countries could be made to agree to it.

Just as soon as all the trading nations granted us their lowest tariff in exchange for ours, the reign of special privileges which, in our present era, is considered to give vitality to trade, would be over, and we should be compelled to create a new minimum tariff and begin anew negotiations with the nations.

No form of reciprocity which has in it the germ of free trade can hope for popular favor in the United States, in the current age. And it is likely that the idea of protection will long survive the economic conditions that have made it desirable. At present our tariff barrier is almost as firmly established as the American Constitution.

The other form of reciprocity—the one adopted by Germany—is far different from the French system. Germany's reciprocity policy, in fact, instead of lowering the tariff, raises it in many instances. Its new system has been to establish a high tariff, and then to go to countries like Russia, Austria-Hungary, Italy, Switzerland, Belgium, Roumania, and Servia, and bargain with them, giving them, individually, specifically lower rates on goods which they desire to sell to Germany, and they, in return, granting tariff conces-

sions to the Fatherland. Yet even these lower rates conceded by Germany under its new reciprocity *régime* are, in the majority of cases, higher than the schedules in force up to December, 1902, when the present law was passed to go into effect in March, 1906. The interesting thing to America regarding Germany's reciprocity programme is that there are a great many articles which we manufacture which have not thus far been considered in any of Germany's negotiations with European nations. It has been stated with much emphasis by eminent men that we shall demand from Germany just as low rates as it grants to Russia, Austria-Hungary, and other countries. Even if there were no dispute in regard to the meaning of the important phrase "the most favored nation," and we could get without controversy and without definite negotiation the same rates that have been secured by European countries, there would still be a long list of commodities produced in America which could not get over the German tariff wall. The reason for this is that no European country has been sufficiently interested to demand reduction in these articles, and the absence of any

international trade stipulation regarding them leaves Germany free to raise its tariff without notification to the Powers. Here, therefore, brushing aside all the subtleties and disputed technicalities in our international commercial relations, is a promising field for America, for in many of the commodities, in the production of which we excel, there remains an uncontested opportunity in the German tariff.

The rate, for example, in Germany's new tariff on unmanufactured tobacco in the leaf is 85 marks per 100 kilos, but that commodity is not included in any of the treaties Germany has negotiated in Europe.

Of course there are many things in the new German tariff which, unmentioned in the reciprocal arrangements with European countries, are likewise of no interest to us. Thus, dried cycas palms, whatever they are, have been raised from the free list to 250 marks per hundred kilos, but no country from Russia to Switzerland has these palms to sell, and so they have been left out of the reciprocal treaties. In a minimum and maximum tariff system, Siberia would have the privilege of exporting tropical palms to Germany. In

the newer reciprocity idea, foreshadowed in Section 4 of the Dingley tariff, and brought to great perfection and power by Germany, every country bargains for the goods it has specifically to sell. In the light of Germany's success along this line, a re-reading of some of the treaties negotiated by Mr. Casson, which the Senate failed to ratify, reveals that this was the policy planned by America at that time. In the convention for British Guiana, it was stipulated among other things that American mules were to be admitted free into that colony. The old objection to reciprocity was that exchange was sought for the common products of both countries. In one of the campaign textbooks of 1904, in which President McKinley's idea of reciprocity was indorsed, reminiscent protest was made against the Marcy-Elgin treaty of 1854 with Canada, on the ground that grain, flour, breadstuffs of all kinds, animals of all kinds, meats, fruits, vegetables, fish, butter, metals, coal, lumber, and grindstones, all of which have no special nativity, were included in the reciprocal agreement between Canada and the United States. That feeling that reciprocity was a needless opening of American markets to the competing prod-

ucts of other lands, has influenced much of the legislation against the system, and it is obvious that the opposition to the treaties drafted by authority of Section 4 of the Dingley tariff was based upon that old criticism more than upon the actual character of the proposed agreements themselves. To sell the American mule, for example, to British Guiana, tariff free, while giving that colony a 12½ per centum reduction on cane sugar, was along the line of mutual benefit. From Barbadoes we were to accept at a reduction of 12½ per centum of the tariff rates the cane sugar, the molasses, the tropical fruit and vegetables, the asphalt or manjack of those islands; while they were to receive, as a result of our reciprocal agreement, our carts and other vehicles, our clocks, our brooms, our corn meal, our horses, lamps, machinery for electric lighting, pitch and tar, rosin, tallow, and wire fencing free of duty, and were to concede us a rate of duty not exceeding five per cent of their value for our fruits and vegetables, dried, canned, preserved or fresh, our fish, our clothing, our earthware and glassware, our hardware and cutlery, our furniture and upholstery, and our wooden hoops; and special rates

were to be granted to us for the bread and biscuits, the cheese, the flour, the lard, the meats, the oleomargarine, the butter, the lager beer, the lumber, and tobacco, which we exported to those British possessions. Yet because this favorable trade treaty came to the Senate under the brand of reciprocity, it remained unratified, and when the two years' limitation expired, this commercial covenant, like all the others negotiated, as a result of Section 4 of the Dingley tariff, passed out of history.

Particularly illustrative of the extreme prejudice against reciprocity is the fate that overtook the treaty negotiated for Turks and Caicos Islands. England had agreed to give free entry to those islands for our corn and all other grains, all our numberless breakfast foods, our fruits and vegetables, our bran, pollard and feed, our live animals, our meats, our clocks and watches, our fish, our glassware, our woodware, our candles and cart grease, our tallow, carriages, and all wheeled vehicles, our India-rubber goods, our sewing machines, our manufactures of iron, steel, and copper, our stationery, turpentine, and varnish, our machinery of all kinds, and our soda

water. Then there was to be a special cut in the tariff of those islands for our beer and biscuits and butter, our shoes and soap and wine.

In return for all these tariff concessions we were to give a 12½ per cent reduction on the salt and unmanufactured sponges of the Caicos Islands, and we were to admit raw sisal grass free. But the American Senate in its wisdom pigeonholed this opportunity. The only people in America who could possibly be benefited by such an unprogressive piece of legislation are the growers of sisal and sponges and the harvesters of salt, and as sisal grows in the tropics, and as the demand for sponges has denuded the reefs and rocks of the Florida coast and has caused the Federal Government to start artificial sponge farms to keep this vegetablelike animal from becoming extinct, our action in refusing to ratify the convention with the Caicos Islands narrows down to the benefit conferred upon the American dealers in salt. The duty on salt imported in bulk is eight cents per hundred pounds. Under the terms of the proposed reciprocal treaty with the British islands mentioned, the salt from that quarter would have been admitted into the

United States in bulk at seven cents instead of eight cents a hundred pounds. But our stand-pat statesmanship, to safeguard American salt against a tariff reduction of one cent per hundredweight, closed the door which the British possessions south of the Bahamas were ready to hold open to our manufactures and agricultural products. The attitude of the United States Senate in side-tracking a reciprocity treaty simply to protect American salt, is typical of the whole course of legislation on this economic question. We require an enormous quantity of salt in this country. To get it, we sink wells into subterranean brine, we dig shafts into beds of geologic salt, deposited by ancient seas from 450 to 1,000 feet below the present surface, and we pump the ocean into evaporating tanks. By these several processes America produces no less than 3,000,000 tons of salt annually, valued at about $7,000,000. Yet this mountain of salt is insufficient to sprinkle our continental feast of prosperity. Every year we are compelled to add many a pinch of imported salt. In some years we buy abroad more than three hundred million pounds, valued at about half a million dollars. It is ob-

vious that we could afford to give the salt-rackers of Caicos Islands the advantage of one cent a hundred pounds for their more than compensating willingness to take many of our commodities free of duty, and the others at a notable tariff reduction.

In this same year that marked our greatest effort to secure genuine reciprocity, an agreement was reached with Jamaica. We were to give that island a reduction of 12½ per cent of the duty on cane sugar and molasses, a twenty per cent reduction on citrus fruits, pineapples, rum, onions and other vegetables, and we were to admit free of duty bananas, cocoanuts, coffee, ginger-root, kola nuts, pimento, anatto, tortoise shells, logwood, fustic, and mahogany. In exchange for our concessions to that island, Great Britain agreed to admit free of duty into Jamaica nearly all the important American commodities entering into commerce. These included agricultural implements of every kind, sewing machines, every variety of electrical appliance, wagons, fertilizers, meat, paintings, lamps, poultry, school slates, locomotives, all kinds of motor engines, and every kind of machinery for manufacturing or prepar-

ing for market the agricultural and mineral products of Jamaica. We were to receive free their harvest of allspice, cocoanuts, and other tropical crops, but we were to have the privilege of selling them without tariff hindrance all the implements necessary in gathering and perfecting their products. We were to take their rum, but they were to accept our hogsheads. The treaty is a most interesting one, revealing much economic wisdom in its details. In addition to the free list there were to be special rates in our favor on cypress shingles, chewing tobacco, salt pork, oleomargarine, pitch pine, and other American products. But the spectacle of permitting in exchange for this opportunity a welcome to our ports of kola nuts, pimento, and fustic, anatto, mahogany, and turtle shells, roused all the patriotic standpatters into opposition. And so this reciprocity measure, designed to open to us a market which takes annually about $10,000,000 worth of civilized products, was buried with all the others.

The unratified reciprocity treaty with Bermuda brings to light similar inconsistencies of the Senate. We were to accept nothing free from the Bermudas, but were to give that island colony a

twenty per cent reduction of the tariff on potatoes, onions, other vegetables, bulbs, and flowers. The tariff on onions is forty cents a bushel, and on potatoes twenty-five cents. A reduction as contemplated in the treaty with the Bermudas would have left a tariff of thirty-two cents a bushel on onions and twenty cents on potatoes, and with that handicap there was no probability that the Bermudas would in the slightest compete with American farmers. We produce in the United States more than a quarter of a billion bushels of potatoes in a year, but that great quantity is not enough. In some years we have been compelled to import more than $3,000,000 worth of potatoes. In 1904 we imported $914,000 worth of onions. Inasmuch as the exports of all kinds from Bermuda, including sweet potatoes, onions, arrowroot, potatoes, and lily bulbs, do not aggregate in value $1,000,000, it is apparent that this stand-pat fear of Bermuda vegetables was without ground and even fantastic. Moreover, if we took all the onions that Bermuda has to sell we would still have to go farther afield for more. If the Bermuda treaty is analyzed to the ultimate detail of what its rejection served

to protect, the fact stands out that the opportunity for the expansion of American commerce in that group of islands was put aside to safeguard the flower gardens of America.

One of the most important treaties negotiated under Section 4 of the Dingley Act was with Argentina. In consideration of a twenty per cent reduction of the duties on sugar, hides, and wool, the United States was to enjoy a fifty per cent reduction of the Argentine duties on canned salmon and windmills, paraffine wax and canned tomatoes, evaporated fruit and succotash, and a twenty per cent reduction of the Argentine tariff on American bacon, breakfast foods, sail twine and cotton rope, a reduction on lumber of all kinds, and many advantages in the methods of customs appraisements. Argentina is a valuable market. It is by far the leading commercial country of South America. In fact, Argentina, in the volume of its foreign trade, has distanced Canada, and is second only to the United States in the Western Hemisphere. Argentina has a foreign trade more than twice as great as Mexico's. It is surprising, too, that we rejected reciprocal opportunity with this Latin republic,

when we consider that its foreign commerce is nearly twice as great as that of the Japanese empire, and is actually many millions in excess of China's. The vast part of Argentina's nearly half a billion dollar trade with foreign nations is enjoyed by Europe.

At one time we imported sugar free into the United States. At present we give one country an advantage of twenty per cent reduction, which we deny to all other lands. There is an abiding prejudice against reduction on wool and hides, although we are compelled to import millions of dollars' worth of both. Had we conceded to Argentina a reduction even on hides, our tariff standing in that republic might have been far more auspicious than it is at present. Even with the duty of fifteen and twenty per cent of the value upon hides, Argentina is called upon to supply us with from $3,000,000 to $4,000,000 worth a year. If the foreigner, as some economists and politicians claim, pays the American tariff, there would have been a slight advantage to Argentina if the reciprocity treaty guaranteeing it a reduction of twenty per cent of our hide tariff rates had been ratified. If the consumer

in America pays, in the added price of commodities, the duties collected at our ports, then, upon the $3,000,000 or $4,000,000 worth of cattle-skins that we go to Argentina to buy, the reciprocal agreement which the Senate suppressed would have netted a saving to the well-shod American people. These items, important as they are, are insignificant, compared with the great Argentina market, which our purblind devotion to an inelastic tariff has permitted to pass to the nations of Europe.

Little is ever heard of the abandoned treaties briefly reviewed in the foregoing paragraphs. The treaty with France which shares their fate is the only one that has survived in controversy. It is as dead as the others, but its ghost is more troublesome. Last year the governor of a Western State and a member of the Cabinet engaged in an acrimonious controversy as to whether the reciprocal treaty with France which the Senate refused to ratify would have given a greater benefit to the foreign republic than to the United States. We have in the American tariff 705 articles enumerated, beginning with acetic acid, and ending with zaffer. In the

treaty with France, that country agreed to receive at its minimum rates of duty all American goods with the exception of less than thirty articles, including horses, butter, cast-iron, dynamos, eggs, arc lamps, and porcelain. It is not likely that any kind of a reciprocity treaty would have found favor in the stand-pat Senate, for, as indicated, the unprogressive economists in that body refused to open Caribbean doors to American trade, and likewise refused to accept the opportunity offered by British colonies in the Atlantic when the only interests that could possibly benefit by such legislation were those that controlled the salt field and the lily pond in this country.

While there was no hope for the French treaty, it would have presented a far more forceful front had it enumerated the 670 articles common to international commerce which, issuing from America, were to enjoy the minimum tariff rates in France. This important concession was given only the little dignity of a sentence, while the thirty articles excepted were mentioned in detail. It was like the old grammars which gave a valuable rule of syntax and then

proceeded to quote from a hundred authors who had violated its principles. What was important in the treaty which Casson, on behalf of America, and Jules Cambon for France, negotiated, was not the articles which that covenant omitted, but the hundreds in the list included. Then, with a curious lack of discernment on the part of diplomats seeking the consent of the American Senate, they scheduled in conspicuous detail the French manufactures and agricultural products, which, by the terms of the treaty, were to be admitted into America at a rate of reduction ranging from five to twenty per cent. This French catalogue of commodities included silk goods, six varieties of cotton goods, imitation jewelry, toys, fans, buckles, mushrooms, macaroni, glycerine, prunes, glue, cutlery, straw hats, liqueurs, soaps, spectacles, and ultramarine blue. There were in all twenty-six main divisions of commodities, with the sub-titles bringing up the completed roster of French wares and products to seventy-five. This seemed like a formidable array of articles in a document which failed to enumerate the more than six hundred commodities which, on the basis of being known to in-

ternational commerce, were to be granted the minimum tariff when exported from the United States to France. Of all the tariffs containing the reciprocity principle, submitted to the United States Senate, this was the most important, for it was designed to give American goods the right of way in one of the best markets of Europe. Yet this document was the most unskillfully worded treaty in the entire lot prepared in pursuance of the now expired section of the Dingley Bill.

Altogether, there were eleven Casson treaties. The cotton knit goods reduced in the French treaty aroused the opposition of American manufacturers. Some of the Jamaica fruit concessions created fear among the orchardists of California, and the wool reductions in the Argentine treaty alarmed the sheep raisers of the West. It is evident from the disposition of the countries and colonies to extend the time provided for the ratification of these agreements, that amendments to the reciprocity measures would have been cheerfully accepted. In the majority of instances the commodities provided for in the reduction of the American tariff were non-com-

petitive with the products of this country. Cargoes of sisal and fustic and allspice could come into our ports without choking our infant industries. The principle contained in this lapsed section of our present tariff law was thoroughly in keeping with the new economic order, and the treaties it inspired were designed greatly to expand our oversea commerce. It was a pioneering work in economics. It revealed the possibilities of commercial treaty bargaining. It contained the spirit that has made Germany's present policy triumphant among the leading commercial states of Europe. Since the section expired, there have been many tariff changes, the internationalization of traffic and finance has proceeded apace, and we find now that what was originated in an American tariff bill has become the programme of the most successful trading nation of Continental Europe. The opportunity rejected by the Senate has been made the foundation of Old World prosperity and advance.

It is plain, therefore, that by a very simple process America could get in line with the new tariff programme in the world, and even take the leadership which, by priority of legislation on

the subject, it has actually won. It is not necessary to engineer a disturbing dismantling of our tariff wall. At all times it is dangerous to make sudden and drastic changes in economic conditions. By reviving the expired section of our present tariff code, the Government could again enter into negotiations with all countries, reciprocal arrangements could be entered into for the exchange of non-competitive products, and the whole subject could be reviewed in and out of Congress, so that no interests need be harassed by the menace of wholesale overthrow of the principle of protection. A cautious Senate having the power, as set forth in the tariff law, to ratify or reject reciprocal treaties, could insist upon the elimination of all commodities whose importation might compete with the output of our own factories and fields. There is no economic sanity in refusing to adopt agreements which provide, for example, for the introduction into America of tropical products, and the reciprocal sale to these torrid republics and colonies of American-made implements for the gathering and preparation of their annual crops.

The auspicious thing about this wise provision, which the Senate allowed to expire without issue, is that it does not commit any of the negotiating countries to changes all along their tariff wall. It is a charter for diplomacy in trade. Its pacifying value, even if only half a dozen articles are included in the reciprocal covenant, is great. It appeals to the self-interest of all the nations concerned, and in so doing substitutes the olive branch for the big stick. It is a clause which enables the President to impart the latter-day character of internationalism to our commercial relations.

Inasmuch as this expired and almost forgotten section of our tariff code was the preamble to the world-wide economic changes which have given Europe, and particularly Germany, a conspicuous start in the contest for international markets, I reprint the neglected legislation as a guide to what Congress could do now to further American commerce abroad. This section, destined to become historic, because it was one of the first steps to bring about by legislation the internationalism which finance and trade are fostering, read as follows:

That whenever the President of the United States, by and with the advice and consent of the Senate, with a view to secure reciprocal trade with foreign countries, shall, within the period of two years from and after the passage of this Act, enter into commercial treaty or treaties with any other country or countries concerning the admission into any such country or countries of the goods, wares, and merchandise of the United States and their use and disposition therein, deemed to be for the interests of the United States, and in such treaty or treaties, in consideration of the advantages accruing to the United States therefrom, shall provide for the reduction during a specified period, not exceeding five years, of the duties imposed by this Act, to the extent of not more than twenty per centum thereof, upon such goods, wares or merchandise, as may be designated therein of the country or countries with which such treaty or treaties shall be made as in this Section provided for; or shall provide for the transfer during such period from the dutiable list of this Act to the free list thereof of such goods, wares or merchandise, being the natural products of such foreign country or countries and not of the United States; or shall provide for the retention upon the free list of this Act during a specified period not exceeding five years, of such goods, wares and merchandise now included in said free list as may be designated therein; and when any such treaty shall have been duly ratified by the Senate and approved by Congress, and public proclamation made accordingly, then and thereafter the duties which shall be collected by the United States upon any of the designated goods, wares and merchandise from the foreign countries with which such treaty has been made shall, during the period provided for, be the duties specified and provided for in such treaty, and none other.

The revival of that section, or the substitution for it of something embodying a similar scope of administrative power, always, of course, with the consent of the Senate, would not only afford a short path to reciprocity, but also to peace, for it could be employed to avert a tariff war with Germany. We have at present a temporary trade truce with that Empire. Its tariff, making possible a negotiation along the lines contemplated in the paragraph just quoted, opened opportunities to us which we declined to accept. When the time granted us for action had expired, German statesmanship intervened to postpone the application of the maximum tariff of that country against our exports.

Armed with authority of a revived Section 4 of the Dingley law, America could, without revising the schedules held sacred in political creeds, bargain with Germany for rates on commodities in which other nations have not been sufficiently interested to secure reductions. One of the things in which America would be particularly interested, and of which no mention is made in any of the seven treaties Germany's reciprocal system has perfected in Europe, is the

mule. Under the old "conventional" tariff rate in Germany, the duty on mules was fixed at ten marks per head. In the new tariff the rate has been raised to thirty marks. But no country has stipulated for a reduction on this animal. Even, therefore, if we could secure the same rates that Germany has extended to other lands, we should still have to pay the thirty marks per head on exported mules. Buckwheat, the tariff rates on which have been raised from two marks to five per hundred kilos, is not mentioned in any of the German reciprocity treaties.

Here are many articles in some of which American business men must undoubtedly be interested, and which have not found a place in any of the covenants framed in keeping with the new reciprocal programme between Germany and the countries with which it trades:

Wood for building or industrial purposes, steamed or chemically treated, hoop staves, horses valued at upward of 2,500 marks, herrings, and other salted fish, bone fat, tallow, honey in the comb, artificial honey and beeswax, pearl, grain, grits and groats of cereals, rapeseed oil, linseed oil, cottonseed oil, cotton starin for the manufacture of soap, dextrine, gluten, several kinds of wines, vinegar of all kinds, artificially prepared edible fats, extracts for the preparation of beverages and for flavoring articles of food, chewing

tobacco and snuff, shoe polish, many grades of cotton yarn, cotton cloths of a certain weave, rope, bookbinders' cloth, tracing cloth, oilcloth, wadding for medical use, felt shoes, artificial flowers, boiled human hair, fans made wholly or partly of ostrich feathers, varnished hats for men, certain kinds of women's hats, gut cord and strings, photographic paper, paper underwear, roofing tiles, jars and other vessels for household purposes, stoves, and fireplaces, sheet glass, dry plates for photographic purposes, skylight tiles of crude glass, watch glasses, false teeth, pig iron, worked-iron tubes, cast-iron rollers, crucible steel in ingots, corrugated iron, drawn wire, cask buoys for anchors, tube joints and valves for steam boilers, pitchforks, circular saws and hand-saws, files and rasps more than thirty-five centimeters long, hammers, pickaxes, mincemeat choppers, flatirons and many other household articles, belt couplings, cultivators, harrows, hand rakes, hay rakes, axles, polished carriage springs, wire tacks, cut nails, stove pipes, bath tubs, combs, bells of alarms, stirrups, and other riding and driving gear, locks and keys, wrought art wares, umbrella and parasol frames, pens, needles, pins, fish hooks, printing plates of copper, locomotives, sewing machines, knitting machines, stands for sewing machines, fire engines, mechanical plows, reaping machinery, storage batteries, arc lamps, incandescent lamps, railway cars, tram cars, cars of all kinds for single rails, carts, wagons, pleasure vessels for rivers and lakes, floating docks and pontoons, air guns and military arms, typewriters, tower clocks, and pianos of all kinds.

That by no means exhausts the list of articles which have not been included in the tariff concessions which Germany has granted to Euro-

pean countries. A more microscopic examination of the new German tariff would doubtless reveal many additional opportunities for American goods. Naturally the products of tropical countries are not embraced in the tariff arrangements with Switzerland and other European states, and similarly, the manufactures omitted were of a kind not produced in exporting quantities by the southern countries that bargained with Germany for the admission of their wares. Perhaps some of the commodities I have enumerated will not especially appeal to American exporters. I am not aware, for example, that we have any great quantity of boiled human hair and paper underwear to sell! But we have locomotives and tacks, agricultural implements, household utensils, typewriters, and pianos without number; and, as I have indicated, no success in securing the most-favored-nation treatment from Germany would make certain the entry of our peculiarly distinctive American wares into that country; for they are not mentioned in the stipulations with the reciprocity nations.

The new German tariff changes the rates on about a thousand articles, and in the majority

of cases it raises the schedules. This fact, that the readjustments contemplated in a new reciprocity programme for the United States would probably strengthen the protective principle, as it has succeeded in doing in Germany, will appeal to the tariff patriots who have opposed reciprocity as a dangerous precedent. Tariff revision has been dreaded by many leaders because it is a formidable task. In one of the stories by Irving Bacheller, a brilliant newspaper man was repeatedly offered better jobs on other papers, but he declined them all because it was too much trouble to clean out his desk. Some of our stand-pat indisposition to change suggests a similar sluggishness. The remaking of a tariff is unquestionably a big undertaking.

There is a form of political thought in this country that seems to hold that the Dingley tariff, like the Decalogue, was a completed code from the beginning. As a matter of fact, the conference committee in Congress was called upon to consider 872 amendments to our tariff law, made by the Senate, and agreement was reached on about four-fifths of these interpolated schedules. The consideration of the Dingley Bill con-

sumed four months of legislation. It is, therefore, no slight task to revise the American tariff. But the new programme of reciprocity, which Germany has made a practical system for the international interchange of products, is open to America. The simplest and shortest way for the United States is, as I have shown, to revive the reciprocity clause of the present tariff law. There is no occasion to batter down our customs barriers. The exigencies of the future may call for lower tariff walls in every land, but at present the tendency is to raise them, and then, using them as bargain counters, to offer trade inducements to the countries that wish to engage in reciprocal trade.

The tariff is a very human document. It is prompted by the same impulse that causes the householder to turn his key at night. Undoubtedly there must be under present conditions some protecting obstruction at the border land of nations. Even heaven, according to our theological fancy, is surrounded by a wall, and this idea is uppermost in the economic thought of all the commercial nations. Yet, developing with the protective idea, is the movement to merge

interests that cannot be contained behind tariff walls. In Europe this has been accomplished through the new reciprocity. America's opportunity is at hand. If we embrace it, it means continued expansion of our foreign trade. If we reject it, it means contraction of traffic, tariff wars, and the collapse of credit. Confronted by the great changes taking place in the laws of international commerce, the most unpatriotic service American statesmen can render this country is to stand pat and regard reciprocity as an academic theory.

CHAPTER XIV

TRIUMPHS AND TANGLES OF RECIPROCITY

NOT all the American efforts toward reciprocity have been failures. One of the reciprocity features of the Dingley Act, Section 3, still prevails, and while its limitations are curious and conspicuous, it has done more than any other one piece of legislation to advance our trade interests abroad. It has enabled the President to obtain minimum tariff rates in a number of countries for American goods, in exchange for a special customs duty in this country on paintings, crude tartar, champagne, still wines, vermouth, and statuary. In consideration of a special rate on these commodities, Germany granted America that empire's minimum tariff on everything that we export. It was obviously a greater advantage to the United States than to Germany, but even after it had been denounced by Germany, and the new tariff of that country went into effect last

March, German statesmen extended its provisions for more than a year in the hope that in that time America would be brought under conviction of its economic sins.

But for this Section 3 of the Dingley law, the maximum tariff of France would have applied against every article exported by the United States. As it is, we have been greatly handicapped in the markets of that republic, for in many instances our products are compelled to pay seventy-five per cent more duty at the French border than goods proceeding from the reciprocity nations. Nevertheless, for the concession we grant to the wine lees, oil paintings, statuary, and still wines of France, we secure special tariff rates on our canned meats, fruits, lard, pork, hops, prunes, staves, paving-blocks, and sawed logs. Through the medium of the same provision in the present tariff, we negotiated similar reciprocity with Portugal, securing from that country favored-nation rates on flour, all cereals excepting wheat, lard, mineral oil, thrashing machines, garden tools, and plowshares.

For the tariff reductions granted the argols, statuary, champagne, and so forth of Italy,

we obtained reduction on cottonseed oil, fish, scientific instruments, electrical machines, sewing machines, agricultural machinery, and varnish. Prior to this we had reciprocity treaties with Brazil, British Guiana, Salvador, Nicaragua, Honduras, Guatemala, San Domingo, the British West Indies, Porto Rico, and Cuba. These reciprocal treaties provided that the sugar, coffee, tea, and hides of those republics, colonies, and islands should come free into the United States, while they granted us a reduction of twenty-five per cent on many products and accepted a great list of commodities free of any duty. I have before me some campaign gospel of 1904, circulated by the party whose progressive members are now taking advanced ground in the reciprocity movement. It states that as a result of those treaties our exports to those countries and islands increased twenty-six per cent, and our imports twenty-eight per cent, between 1890, the year in which the McKinley law was enacted, and 1894, when it was repealed, "and reciprocity thus destroyed." The document adds that during that same period our exports to all countries, not included in the reciprocity agreement, increased

three per cent, while our imports from them decreased twenty-seven per cent.

Whoever doubts the wisdom of reciprocity should give careful study to the history of our reciprocal relations with Hawaii. When that agreement went into effect, our exports to the mid-Pacific group amounted to but $779,000. At the termination of the treaty our annual exports to the Hawaiian Islands had grown to $13,509,000. In that same period our imports from those sugar islands had grown from $1,227,000 to $20,707,000, and we wound up our reciprocity programme with the Sandwich Islands by absorbing them as a part of America's possessions!

Our most recent reciprocity experiment has been with Cuba. Our treaty with that republic was signed at Havana in December, 1902, and it is an interesting coincidence that before four years had passed in the life of the covenant, which was to run five years, an American Cabinet officer had proclaimed himself governor of that island. This, of course, is not the inevitable destiny that comes to countries engaging in reciprocity agreements with Uncle Sam, but the fact that reciprocity with Hawaii so developed the commerce

between that island group and the American mainland that political amalgamation was found to be desirable, and the further fact that reciprocity with Cuba so unified the commercial interests of the United States and those of the Caribbean Republic that no economic disturbance of that fruitful island could be tolerated by Uncle Sam, furnish arguments which by no means injure the idea of reciprocity as an international principle of trade.

The treaty with Cuba, however, emphasizes one of our most troublesome factors in the problem of international commercial peace. Much has been said by political leaders in America about America insisting upon receiving the most-favored-nation treatment from Germany and the other countries that have inaugurated the current reciprocity movement. It has been declared in high places in this country that if Germany withheld from us the rates it granted to Austria-Hungary, we would declare a tariff war upon the Fatherland. When we regard Germany's attitude and its effect upon our exports to that country, we quote Article 5 of the trade treaty concluded with Prussia in 1828, which stipulated

that no higher duties should be imposed on imports into Prussia or the United States from each other than are assessed upon the imports from any other country. But when we wish to justify our own violation of that idea, we quote Article 9 of the same covenant, which has been construed as giving us the right to make exclusive commercial agreements abroad. That section provides that when we give a conditional favor in navigation or commerce to any other nation, it shall become common to Prussia if that country yields us the same compensation as does the nation with which we conclude reciprocity understanding. The wording of the section is sufficiently ambiguous to give eminent opportunity to adroit statesmanship.

Doubtless America had full right to grant to Cuba in this reciprocity treaty a twenty per cent reduction on all its exports to the United States, and we were probably equally justified in withholding that concession from Germany and other lands which had sugar to sell in competition with Cuba's. But if we regard this subject from the German standpoint it assumes a different character. The year before our exclusive reciprocity

treaty with Cuba, Germany sold us $14,884,000 worth of beet sugar. In the year following the treaty it sold us against the preferential favors we had granted to Cuba, only $1,060,000 worth. Had Germany made such a reciprocity treaty with some European country, and thereby excluded American competition, and caused a decline of nearly $14,000,000 in the value of a single commodity formerly exported by America, there would have been vociferous protest in this country against the high-handed action of the German Empire in excluding us from the most-favored-nation treatment.

The fact is that that fine phrase "the most favored nation" means one thing in Europe and another in America. The curious attitude of America is that when our goods reach Europe they must be granted the benefits of the more catholic interpretation of that phrase, as Europe understands it; but that when European goods arrive in the United States, they must be denied the benefits of the European construction of the most-favored-nation idea, and be subjected to our tariff penalties. Emerson says that consistency is the bugbear of little minds. If that is so, Uncle

Sam is the broadest-minded character that ever trampled through international understandings!

If America refuses to come to any definite negotiation with Germany, and without such specific reciprocity covenants demands the same concessions secured by France, Austria-Hungary, and other countries, a tariff war, or worse, will probably ensue, for Europe and America have taken irreconcilable positions upon the meaning of the most-favored-nation idea. It would be very simple, as I have indicated in the preceding chapter, to avert this commercial conflict with Germany, and secure marked advantages for American exports.

In the compilation which Germany sent to us, revealing the many years of expert work in compiling new schedules, and showing the concessions which have been granted to seven European countries, the tariff reductions granted to these nations stood out conspicuously. Moreover, the United States Government, when it translated and reprinted the German publication, presented in black and ominous type all the favors which Germany had granted European countries; and our statesmen, conscious that we

had made no treaty arrangements with Germany, were stirred to political indignation by the printed display of the concessions Russia, Austria-Hungary, Italy, Switzerland, Belgium, Roumania, and Servia were to receive, and which were to be denied to America. If, instead of that array in bold-faced type, of the reciprocal opportunities which European countries, more alert to foreign openings for merchandise than more prosperous America is, there had been drawn up a completed list of the articles, some of which I have enumerated in foregoing pages, not included in the treaty overtures in Europe, the German tariff, as received in this country, would have been, not a challenge to tariff war, but a catalogue of opportunity for American wares.

At present we are continuing to enjoy the whole minimum tariff rates of Germany, but I heard throughout that empire protests against the one-sidedness of the arrangement. The point is made in that country that as about ninety per cent of their goods shipped to America are subjected to our highest tariff duties, Germany cannot continue to give us its lowest

custom rates on all the goods we export to that empire. "The American people," said one of the leading publications of Germany, "have always declared that every concession made by one party must be compensated for by the other. They (the Americans) denounce their commercial treaty of 1855 with Switzerland because the Swiss claimed for themselves, without offering any compensation, the tariff concessions granted by the United States to France in their treaty with her of 1898." And then this publication quotes Secretary Hay as saying at that time: "The policy of the United States has been to treat the commerce of all friendly nations with equal fairness, giving exceptional favors to none. Should this government continue to give to Swiss products gratuitously all advantages which other countries only acquire for an equivalent compensation, it would expose itself to the just reproaches of other governments for its exceptional favoritism."

That is precisely the attitude that Germany now takes, with this additional consideration, that when it makes a special reciprocity treaty with Russia, for example, in regard to the im-

ports of petroleum, it extends the same tariff privileges in the matter of petroleum to Switzerland and Italy, so that if in the course of the next twelve years, during which the treaties are to stand, these countries should tap an oil well in the Alps, or in the plains of Lombardy, they could export the oil without hindrance to Germany, on equal terms with Russia. As each country negotiates for the sale of products which it possesses more or less exclusively, or manufactures with special skill, the benefits accruing from the extension of the most-favored-nation privilege are not always marked. Of course, if America could get the most-favored-nation treatment from Germany without making any concession to that empire, the advantage to us would be very great. It is, however, preposterous to demand it, and impossible to expect it.

It has been generally assumed that if Germany at the expiration of this temporary commercial armistice should actually carry out its plan of giving tariff preferences to the goods of European origin, thereby establishing discrimination against ours, it would be the beginning

of a new and hostile Old World attitude toward American products. This is not true. France and Italy and Portugal have subjected American goods to duties not assessed upon merchandise arriving from other lands. Moreover, those countries have enjoyed in America, under Section 3 of the Dingley law, the same concessions that we extended to Germany. For those American favors Germany granted us the whole of its minimum tariff, as I have indicated, while the three other countries specified only a few American articles which were to receive low tariff rates. If Germany, therefore, should follow the plan of France and Italy and Portugal, and discriminate against the bulk of our exports, it would be doing nothing novel in international economics. This possibility has loomed large in the American mind, not because it is an innovation, but because anything that Germany does, either to disturb or to promote over-sea trade, has significant meaning throughout the world.

Americans do not like to admit it, yet it is a fact that the foreign commerce of Germany has kept steadily ahead of our own for many

years. Even in 1901 and 1902, when the German Empire went through the throes of an industrial depression, its consequent decrease in foreign trade did not cause it to fall behind America. Moreover, its profit on its foreign commerce is far greater than ours, for more than eighty per cent of its exports consist of manufactured goods, while more than half of our outgoing cargoes are made up of raw materials. The iron and steel products of Germany, the chemicals and toys, and the cloth, represent the activities of millions of workers, so that the whole German population is marshaled in a national phalanx behind its foreign-trade movement. If a German merchantship beats the record across the Atlantic, the Kaiser calls upon the captain and makes a speech of congratulation to the crew and the assembled officials of the line. The whole empire is devoted to the idea that Germany must take the leadership among the commercial nations, and it is a startling fact that it has already distanced Continental America, and is rapidly gaining upon Great Britain.

With its new reciprocity programme, it has

mobilized the leading trading nations of the Old World and is becoming the dominant power commercially in many of the countries of Latin America. In South American capitals Germany has schools, societies, credit agencies, banks, and hundreds of importing firms. Daily papers published in German circulate in South America. It is building piers at the ports of that continent, and extending railways into the interior. It operates direct steamship lines to both the Atlantic and Pacific ports of South America. Germany sells more to Argentina than we do. Its trade with Bolivia is nearly three times greater than ours. It has beaten us in the markets of Brazil. Germany's trade with Chili is two hundred per cent greater than America's commerce with that republic, and its total exports to South America exceed the outgoing trade of the United States with the southern half of our hemisphere. And this is not because we have no canal at the Isthmus, for South America has no difficulty in shipping its cargoes to the United States. American gold by the millions goes into the Latin republics, whence it finds its way to Germany to pay for cargoes sold in in-

creasing numbers by alert German firms in South America.

It is because Germany has already beaten America in over-sea trade, and by reason of its incomparable business organization to advance foreign trade is challenging British supremacy in many fields, that we are far more concerned in any phase of its policy that affects America than we have been when that same tariff attitude was taken by France, Portugal, and Italy, and for a period by Russia and Switzerland. It is equally true that what our commercial relations are to be with Germany has absorbed public attention in that country. The Frankfort Chamber of Commerce, an important semi-official body, has adopted the following platform:

A commercial treaty of long duration should be entered into with the United States, upon the condition that we shall not again grant the whole of our conventional rates in return for a few insignificant concessions, and that in future no higher duty shall be collected upon German goods in America than is paid for similar American goods imported into Germany. Further, the ad valorem duties which have hitherto given rise to arbitrary treatment and disputes of the Custom House, should now be abolished, and specific duties established in their place. And, finally, in view of our former experience in dealing with the United

States, we are in favor of a treaty based only upon concessions for which we shall receive specifically defined compensations.

Another fact which makes the action of the German nation significant is that the German statesmen and business men have very accurate knowledge of conditions and tariff operations in this country. They have had their special experts here repeatedly, and they have studied the whole question involved in the future economic relations of the two nations with the same painstaking detail that characterizes all their investigations. They have, in fact, reduced the study of America to an exact science. In contrast to their unerring aim in hurling ultimatums at us, the conclusions reached by the Vienna Industrial Club are fantastic. These observations are interesting not only because of their bizarre misconception of American conditions, but also for the reason that they shadow forth the part that Austria, following the lead of Germany, will take in the inevitable tariff war between the Old World and the New, should America continue to insist upon receiving the most-favored-nation benefits from Europe without granting compen-

sating returns. The Vienna club thus sums up the situation in America:

The main points in the United States are as follows:

1. They have no general commercial tariff.

2. They have no system of levying duties.

3. They do not give the most-favored-nation treatment (in the European sense).

4. They have scraped together a tariff made up of a lot of separate decrees modeled with the view to prevent importation.

5. They entered into a different treaty with each separate country, so that there are substantially as many different rules governing their foreign trade as there are countries.

6. And yet they claim the most-favored-nation treatment from every country.

7. They offset this by their own original conception of reciprocity and compensation.

8. In frequent cases they leave the final interpretation to the President, whose opinion is in no way bound by the opinions of the interested parties who sit in the Senate and the House.

Whatever the mixture may be, of accuracy and misinformation in the indignant preambles drawn up by European countries, the evidence accumulates of a growing sentiment in favor of a community of action throughout Europe against commercial America. And all this because an unprogressive faction among our

statesmen has blocked legislation which, had it been carried out, would have given before now to America the trade leadership which Germany has won.

Even if the schedules in the Dingley tariff were the result of plenary economic inspiration it would be possible to preserve them, and at the same time introduce reciprocity as the leading principle in our treaties with foreign nations. We are now receiving free of duty in our ports foreign goods valued at more than half a billion dollars annually. That privilege of free trade we grant to all nations, without exacting from them anything in return. Back of the cargoes making up that half-billion-dollar free import trade are the leading nations of Europe. We are under no compulsion to keep these articles on the free list. If even a nominal tariff had been assessed against them, and then removed in favor of the exporting countries, while we secured in return for our action in placing these goods on the non-dutiable list a similar entry or a tariff reduction for our cargoes seeking foreign markets, we should by this time be far in the lead as a reciprocity nation. Germany, in fact, has done this very thing. Some of its com-

modities are still retained on the free list, but many have been made dutiable, and the duty then removed in favor of the countries that cared to exchange merchandise with Germany on a business basis.

The actual loss which we should sustain if Germany should exclude from its empire all the American goods it is not compelled to buy, would be far less than some of our excited tariff reformers have set forth. More than half of our exports to Germany consist of raw cotton, which continues under the new tariff to enter Germany free, as the textile industry of the Fatherland would collapse if it excluded raw supplies from the United States. Thus, from the standpoint of our Southern plantations, more than fifty per cent of the thunder in the German war cloud is empty sound.

American copper Germany must have, and so it put copper on the free list in the new tariff. Millions of dollars' worth of rosin and turpentine, furs, oil-cake, and phosphates continue to enter Germany unburdened by duty. Germany's new tariff was originally inspired by the Agrarians. The plan was to encourage German agri-

culture. Therefore it needs American phosphates to replenish its acres. Hitherto America has kept the factories of Germany busy, and given the industrial multitude of that empire a full dinner-pail. Now Germany, making the laudable attempt to stock its own larder, may cut into the profits of the American Beef Trust, but the more the soil of the Fatherland is forced to supply the needs of that empire's 60,000,000 people, the more orders will come to this country for fertilizing material. If we did not have a plank afloat on the Atlantic, our cargoes of raw materials needed in the German Empire would continue to pass over that sea in constantly multiplying squadrons. In the event of a tariff war with Germany, the most disastrous blow we could strike that country would be to refuse to sell raw cotton and copper and the other commodities that go in free and are vital elements in the prosperity of the Empire. In addition to these goods, no discrimination has been made in the new tariff against that long list of commodities which I enumerated in the foregoing chapter. The rates have been raised, but no country will be able to get those articles past the German fron-

tier at a lower rate than America will be called upon to pay. The actual value of the American merchandise which would suffer by true discrimination in favor of the seven European countries would not exceed in a year the value of a single day's commerce in the United States!

Thus the loss of that trade alone would not call for any political fear in America, or any overhauling of our venerable tariff. Naturally the importance of safeguarding this trade impresses all those interests that would suffer by its loss. An American typewriter firm that has recently established branches in Berlin is so involved in the enterprise that it will be ruined if reciprocity is not established. But the downfall of one or a dozen firms in the United States having ventures abroad could be ignored, if the principle thereby upheld advanced the general commercial interests of America. In this case the neglect on the part of America to adopt reciprocity would not only cause disaster to overtake American commercial interests in Germany, but those failures, the tariff war that will ensue, and the international readjustments and demoralization that must inevitably follow, will inflict upon the busi-

ness world of this country a loss which no prophecy can appraise.

That is what makes the need of reciprocity urgent. The greater part of our exports to the whole of the Old World would not suffer from European hostility or even tariff boycott, for the countries of that continent will not shut out the raw stuff which they weave into their prosperity. Even if a united Europe, in arms against our isolated refusal to engage in reciprocal trade, should exclude every item of American produce and all the wares we now ship to that continent, the loss in itself would not be felt in the United States. With free-trade England we have as yet no problems of commerce. Exclusive of our exports to that kingdom, our total sales to Europe do not equal by more than $100,000,000 the value of the goods we accept duty free at our ports. The profit on our total export trade with Continental Europe does not equal the amount involved annually in the business failures in America! Yet, as is well known, the sum of American failures is insignificant in the presence of our bewildering prosperity. In 1903 American failures aggregated in amount $155,-

000,000, in 1904 the record was $144,000,000, in 1905 the total stood at $110,000,000. He who regards these figures as great in a national sense has a right to exult in the paltry profit we make out of our trade with Europe. But as a matter of fact the sums in American failures are forgotten by the prosperity that makes the entry. The record of these passing liabilities is known only to the gloomy statistician!

Inasmuch as the amount netted from our exports to Europe is less than the totals of our unconsidered failures, we could afford to ignore the call to reciprocity, if the New Internationalism had not bound us up in the financial welfare of the Old World. The world-wide ramifications of finance make it impossible for America to regard with indifference a tariff complexity or war. Our Customs Law is essentially an international document. Even if behind our wall we could develop a sort of idealistic Brook Farm Republic, the labor of such an Altruria would be futile if, by continued refusal to negotiate with Europe, we brought industrial crisis to the countries that fix the price of our staples. In the Blithedale experiment it was assigned to Na-

thaniel Hawthorne, I think, to feed the pigs. It would be an enlivening spectacle in America if all our poets, dignifying an exclusive industrialism, were put to such tasks, but it would be unavailing if we permitted cholera from alien shores to invade the pen.

We cannot longer in the United States safely live to ourselves. The idea of tariff wars against America has become an economic epidemic in Europe. Reciprocity alone will avert the contagion in the United States.

CHAPTER XV

THE WORLD'S PROGRESS

WHAT Alexander Hamilton did for American credit and prosperity, some masterful organizer may do for the nations in their foreign financial relations. Whoever succeeds in mobilizing the present wide world-trend toward international arbitration, reciprocity, and investment, will accomplish for mankind more lasting good than all the rulers of the earth combined have done, for he will virtually banish the fear of panic, and make possible an unhandicapped material advance.

It is not an impracticable programme. Many men are now following it, but few with the conscious thought of filling an international rôle. No genius of finance is organizing any forces save those in which his individual interests lie.

But among the promoters of peace, whose activities are prompted solely by humane considera-

tions, there is abundant organization, and while they, unsupported, can do little save to distribute incontrovertible pamphlets which are not popularly read, their many conventions and their tireless propaganda give expression to the growth of a great modern thought.

Since October, 1903, forty-four arbitrators' agreements have been completed between the nations, but the sword will never be permanently sheathed until mankind comes to realize that it is more profitable to use a coupon cutter. Sentiment will not settle financial accounts. Long ago, even in this Christian nation, the dollar mark became more potent than the sign of the cross.

Practical interest in international conferences is not a sudden expansion of the spirit of forbearance. Business men are ready to coöperate with the promoters of peace simply because it is realized that peace puts money in the pockets of mankind. Every road upon which men travel to The Hague may yet lead from the stock exchange. Sir Henry Campbell-Bannerman, Prime Minister of England, in a speech before the inter-parliamentary conference at London on July 23d, said that much had been done since

the new century began to give practical shape to the growing and insistent desire that war may be banished from the earth. All men, he added, could remember a time when such a gathering as an inter-parliamentary conference would have called forth the derision of the practical.

It is a singular and confusing fact that the nation that has torn down its tariff wall to welcome the trade of the world has simultaneously launched the greatest fleet the world has ever known. And it has set these mighty squadrons afloat to protect a commerce in which the selling nations are no less interested than England herself. It is perhaps a still more incomprehensible fact that Germany, the militant nation of Continental Europe, is first to grasp the secret of the new economics which recognizes reciprocity as the foundation of international stability. While statesmen and rulers have been developing armies and uncompromising tariffs, believing them to be necessary for the maintenance and extension of trade, the men who control the world's fiscal affairs have realized that frontier barriers, whether they be made of con-

crete or custom complications, are a hindrance to prosperity. Thus the New Internationalism, representing the most practical and self-interested thought in the world, is destined to make a mockery of armaments. Refusing to finance wars it will enforce all mankind to turn bookkeeper and calculate profits.

Among the statesmen with whom I have talked on the subject of the New Internationalism is Sir Chentung Liang-Cheng, Chinese Minister to the United States. I asked him what in his opinion was to be the coming bond between all nations.

"Enlightened self-interest," was his quick reply.

Arbitration has been called a present-day epidemic among nations.. Wherever it has been successful it has been engineered by mutual self-interest. The nations are realizing in some things that what benefits one benefits all. In 1885 twenty-six countries sent representatives to Washington and adopted Greenwich as a standard meridian, and fixed a line north and south across the Pacific as the spot where day was to begin. So chaos was banished from in-

ternational reckoning. It was equally beneficial to all the trading countries.

In Berne I stood in admiration before a little building over the doors of which was inscribed: "Hier Wurde der Weltpostverein gegründet am IX October 1874." That spot, marking the beginning of the Universal Postal Union, is the birthplace of one very important phase of the new federation of nations, for the same dignity and inviolability that surround the mails in America are extending to the mails that pass between foreign countries. It has even been seriously proposed to declare wide sections of the Atlantic, which has become both a crowded mail route and a commercial path, neutral zones within which the ships of no nations are to engage in combat. The Massachusetts State Board of Trade in 1905 adopted a resolution recommending that treaties be framed making the popular trade routes between America, Great Britain, and Ireland, and the European Continent, perpetual paths of peace. The President of the United States, the Secretary of State, the President of the Senate, and commercial bodies in America and foreign countries,

were invoked to coöperate to secure such covenants between the powers.

There is nothing fantastic in such a proposal. All the leading powers of Europe signed an agreement in 1888 to dedicate the Suez Canal to peaceful traffic forever. No hostile act is to be committed in this waterway, or in the seas within three miles of either terminus. Neither troops nor munitions of war may be loaded from the banks of the canal, or even from the ports at its entrance. America is to apply the same guarantee of peace in the uses of the Panama Canal. To extend the same idea of geographic neutrality to wider and more important commercial highways, even including transoceanic zones, is within reason. When Japan and Russia were grappling in Manchuria, the American Government, through Secretary Hay, made it plain that the belligerents were expected to confine their fighting to that province. President McKinley, during the Spanish war, announced that the United States would regard as neutral all goods not contraband of war, even though sailing under the saffron flag of the enemy. And the voyages of Spanish mail

steamers were not to be checked, unless the suspicion was clear that they were violating the laws of blockade or contraband.

Commercial traffic on sea and land is rapidly acquiring the right to proceed unmolested by war. Aside from the international character of investment and other interests, and the menace to one nation from panic, even though it start in the remote ends of the earth, no country can maintain independent and defiant sovereignty. No nation, for example, would be permitted to-day to send pirates to levy upon commerce. And every land must keep down epidemic in its ports, or it will find its ships barred from every harbor. If bubonic plague breaks out in Bombay, that dread intelligence is instantly cabled to the Secretary of the Treasury in our National Capital. I can see, and not in the remote future, because of more furtive methods of travel, a necessity for the sanitary nations to step into the world's reeking places and drain off and disinfect such pestilential holes. Already the nations have met in sanitary congresses. The health of mankind, like the health of the individual, depends upon normality in all its

members. The world has been interested in the memorial at Washington to the scientist who stamped yellow fever out of the Caribbean Islands. The preliminary work on the Isthmus of Panama, soon to be a highway for international trade, was to pour oil on the waters. One of the small dealers injured by the Oil Trust is the mosquito!

Just as the nations are combining to check the spread of decimating pestilence, the commercial world is rapidly approaching the day when it will merge its interests against the universal disruption caused by panics and war. Said Daniel Webster, "Whatever we may think of it now, the American Constitution had its immediate origin in conviction of the necessity for uniformity or identity in commercial regulations." Every year the world's commercial and financial and industrial undertakings demand additional exemption from trade dangers threatened by the military system. The articles of agreement adopted by the nations now constitute an imposing constitution for the regulation of commerce.

If it were possible to banish the statesmen, the generals, and the armies to some remote archi-

pelago where they could fight out their little issues in battle and declamation, what could happen to business New York, business London, business Bremen, Hamburg, Genoa, Shanghai, Capetown, Buenos Ayres? The financial and commercial leaders of all trading cities would merge the traffic of the seas. Peace would be permanent, for all interests would be mutual. Prosperity would pile high, and credit would be unrestrained, for no fear of panic would be present, when the world's business managers were interested alike in all parts of the pulsating planet. It may seem like an impossible dream; and while it is beyond the scope of the allied financial interests of the world to exile the obstructing standpatters and the disturbers of peace, that very federation of commerce and finance, which in bare outline appears almost incredible, is taking place.

We do not see the real forces at work. The most significant items in international financial relations are, as I have pointed out, not exhibited in the visible trade of nations. Yet even in the regulation of this tangible traffic, commercial self-interest has compelled the adoption of

very definite international articles in a coming Great Charter of Commerce.

And all this has happened since the inauguration of the present age of electricity and cables. It is a part of the same impulse that has merged the dismembered states of Germany, the kingdoms of Italy, the provinces of Canada, and the States of the American Union. The age of telegraphs and steam, supplying the cohesive element for individual nations, has likewise linked the continents. Thus, not only in the more complete amalgamation of the nations through the unseen agencies of migrating capital, but likewise in the open alliance of science and traffic, the commercial unification of the world is becoming apparent.

In the period from the later sixties to the present, trade interests have forced the convocation of many international conferences. I do not now refer to the peace parliaments. These are merely mild echoes of the thunder voice of traffic, which has begun here and there, when profits have been endangered, to issue very definite ultimatums to chattering statesmen. Neither do I refer to the unrecorded action of finan-

ciers in halting and averting recent conflicts which threatened the solvency of the world. I have in mind only those international congresses which, since 1864, have been steadily increasing the lists of interests which war cannot be allowed to disturb, and adopting programmes to further the orderly commerce of all lands.

In 1864 the Cross, which had not been carried into battle since the days of the Crusaders, rose again at Geneva, painted an admonitory red! It was not that Christian slaughter had become more mild. It was only that the agencies of destruction had become so perfect that, as a means of protection from virtual annihilation, mankind adopted restrictive regulation. True, most humane men and women were interested in the movement, and have since made the Red Cross honored in every land. But it would never have been adopted by any nation to whose interests it was to reject it. Even Turkey agreed to the covenant of Geneva, though announcing that it would adopt the Red Crescent as its emblem. The principle established at the Geneva Convention was that no nation, under modern scientific conditions, is to be permitted

to work unrestrained wrath and destruction upon its neighbors.

Whoever regards as visionary the prospect of an international commercial constitution has not kept up with the progress of internationalism in our present age of electricity and cables. Since the Geneva Convention other restrictions have been placed upon warfare, compelling belligerents to fight according to international rules. All the nations except England and America have subscribed to the same weights and measures. They have, in a parliament held for that purpose, agreed upon an international telegraph system. International monetary conferences have been held, one of them in Paris, assembled in response to an invitation issued jointly by America and Europe. The tantalizing question of a prime meridian, indispensable to international navigation, has been settled. An International Marine Conference at Washington has adopted regulations to be observed by all powers regarding the rights of ocean traffic. At Venice and Dresden international sanitary parliaments have been convened, at which nineteen nations were represented. Three Pan-

American Congresses have been held. All the trading nations of Europe have in official international session abolished the bounties on exported sugar, and the great commerce in that commodity has returned to normal channels.

The action of the nations in abolishing the bounties on exported sugar is a step toward some international agreement regarding tariffs. Sugar, enjoying a subsidy from its home government, could afford to undersell sugar not similarly favored on foreign territory. To offset this the importing nation began to place countervailing duties upon incoming sugar which had been artificially helped in its native fields. So the value of the bounty was nullified. It was, in effect, a tariff war. America engaged in it, putting upon Russian sugar a tariff tax equal to the amount advanced to the Russian exporters by the government at St. Petersburg. This was done by Lyman Gage when he was Secretary of the Treasury. The ensuing commercial war with Russia lasted for many years, proving in the end injurious both to Russia and the United States. The attempt to nationalize a

trade that is international in character failed, as invariably it must.

The spectacle of one nation giving at its political frontiers a benefit to a departing commodity, and the neighboring nation placing upon the goods at its customs boundary a corresponding handicap, typifies in a sense the whole tariff hostility of the world. So long as America was the only land to be surrounded by a high tariff wall, the problem was not complicated, but now, nearly 200 such barriers have fenced off the nations. They, like the movements toward the economic consolidation of commercial interests, are a modern innovation, most of them constructed since 1880. Many of them have been built mistakenly right across the path of manifest trade destiny, and but for the necessity of raising tribute to supply military demands, would have come down, at least in places, before now. In Germany forty-one per cent of the public revenue is diverted to war expenses in times of peace. In America, more than fifty per cent of the federal revenue goes for military purposes, including pensions.

The movement toward disarmament and the

inauguration of reciprocity are parallel impulses. Reciprocity is succeeding because it made its appeal on the economic ground of national self-interest. Disarmament, when it comes, will be based upon its profit to the Powers, not only in the saving of the billions now wasted in war preparations, but in the more important economy in protecting countries from the ravages of panic. Already it is becoming obvious to many practical men in Europe that the elaborate military preparation by the nations, instead of giving any one of them an advantage, is merely widening the territory that would be desolated by a modern campaign. "It is well known," says a writer of Stuttgart, "that when a French warship is launched in Cherbourg, at the same time a similar one leaves the roadsteads in Wilhelmshaven; and, whenever possible, on the same day two such mastodons, as Baron d'Estournelles has called them, are turned out in the harbor of Portsmouth."

I have shown that while the world's military expenses, even in times of peace, total about $3,000,000,000 per annum, the wealth and resourcefulness of the nations make possible the

theatrical luxury of fleets and armies. The nations may go on until they increase the present military budgets and interest on war debts one hundred per cent over the present cost. That would represent a sum in excess of the gold in the world, but the nations would still have their developing resources, laying up material wealth far faster than even armies and navies, multiplied to twice their present proportions, could waste it. It is impossible to estimate the number of billions the nations could spend for battleships and battalions without seriously suffering from the cost. In three years France, as we have seen, paid Bismarck his billion. Prosperity has developed so vastly since the seventies that France could raise a billion now as fast as it could make provision for its people to subscribe. In April of 1906 the French allotment of $240,000,000 of the Russian loan was oversubscribed fifty times. That means that $240,000,000 was called for, and that the investors of France responded by proffering $12,000,000,000! During the Spanish War the United States Government had to place restrictions on the number of bonds any one investor could buy,

so eager was the multitude of prosperous America to invest. Some of the foreign loans financed in New York have been oversubscribed one hundred per cent.

It is not the actual cost of war preparations that staggers the world, but rather the economic paralysis caused by the fear which war and the rumors of war create. The waste of $10,000,000,000 regularly would be less damaging to the nations than the unexpected loss of one. War preparations engender uncertainty. The tread of armies shakes the stability of the industrial nations far less than economic whirlwind does. When the world's leaders—already influenced in financial considerations by this great modern truth, that the fear of loss, flashing around the world, has the same sinister meaning to all nations—begin to exchange views on this subject in offices where international business is managed, the greatest Peace Parliament in the history of progress will be in session.

Reciprocity has come quicker than disarmament, because its value to the trading nations has been more obvious. Had it been urged merely as a political ideal, it would not have

been entertained in the legislation of any nation. Peace debates to be effective must be transferred to the stock market. Reciprocity, until commercial Germany adopted it, was merely a doctrine. The nations regarded it as America does still. It was a good thing for a college student to get his doctor's degree on, but its value was not supposed to reach into the Street. Commercial Germany, going to the ends of the earth for trade, came across the modern anomaly that all the countries of Continental Europe, except Holland, and all of the republics of the Western Hemisphere, and the empires of Asia have erected tariff walls against foreign cargoes. Then Germany developed a new idea. It would propose reciprocity to the Powers. Germany itself, a great market for the products of other lands, would grant concessions to every country that would in exchange give compensating opportunities to German trade. In the inauguration of a new economic era, made necessary to overcome the barriers that national fear had placed in the path of traffic, Germany would take the lead and divide the profits. It would give a new and up-to-date meaning to the open door.

But all this could not be done in a hurry. Nearly all industrial nations have learned through successive struggles with business depression and collapse that any sudden change works havoc with prosperity. Six years before the date set for the initiation of its new programme, Germany began to lay the foundation for reciprocity with the nations. Its first step was to enlist the coöperation of the commercial interests of the Empire. The Association of Chambers of Commerce of that country, the German Agricultural Association, and the Central Association of German Manufacturers, selected members, and the Chancellor appointed them. Manufacturers and farmers, merchants and exporters, made up a body which was called the Special Commission for the Elaboration of Measures for Furthering Commerce. This at the very outset gave almost amusing dignity to a term that had been an economic byword. The Commission collected information from all the lines of business in that Empire, finding out just where they got their imported raw materials, and what nations afforded them the best market for their wares. The concluding query in the

list of questions sent to all the leading business houses of Germany indicates the deliberate study given to the practical side of reciprocity, and affords fertile suggestion for a campaign in America. The question which brought forth answers from the greatest trading people of the Continent, showing that reciprocity as the new law of modern commerce is as indispensable to international success as tariff walls were when English trade was young, was as follows:

"What suggestion have you to make as to measures to be taken for the encouragement of the production and exportation of the articles you manufacture, especially with regard to foreign competition at home as well as abroad?"

Forty-six thousand exporting manufacturers replied. Such was the colossal scale upon which Germany instituted the discussion on this innovation in commerce, more than half a decade before the plan was to be tried! It was the biggest and most practical class that ever answered questions on political economy.

At the same time, and independent of the manufacturers, the Treasury Department of Germany was at work with its experts on a new

tariff law, and copies of this were sent to all of the twenty-five States of the Empire, inviting criticisms and suggestions. When these came in, the Treasury Department recast the entire draft, and in 1899 sent it back to the same States for further suggestions. Every State went over it again in detail, and returned it with memoranda of changes to the Treasurer. Then the experts in the central government at Berlin bent to the task of revision until January, 1901. In this month, after three years of the most patient and expert work in preparing the new reciprocal tariff, the Empire turned it over to the Commission that had been getting opinions on the same subject from 46,000 practical men. Now the Commission, with the draft of the tariff at one hand, and their accumulated data at the other, summoned experts from every industry and calling, and 2,000 of these experts were put to work sifting and analyzing the details of the new economic charter which Germany was to offer to modern commerce. This was not the end of the Empire's work in preparing a tariff to meet the international complexity of present trade. When the 2,000 ex-

perts under the auspices of the Commission concluded their labors, the whole result was returned to the Treasury. Now the experts in the Treasury, side by side with the schedules they had prepared, set down the Commission's data showing the amount of protection deemed necessary by every line of industry in the Empire. Thus a tariff, the joint work of the business world of Germany and its economic experts, working for several years independently, was produced, and it was now sent back to all the States of the country. They returned it with suggestions, and the Treasury officials revised the entire tariff, and submitted it to the Bundesrath. The text of the new tariff was published in the official gazette, and the public had an opportunity to criticise the proposed law. The Bundesrath made some changes, and then laid the whole matter before the Reichstag. This was in November, 1901. Now the whole industrial, agricultural, and commercial forces of the Empire had an opportunity through their representatives in the Federal Parliament to voice their views upon the new economic policy. For one year and thirty days the Reichs-

tag discussed this great measure, which was to be fraught with meaning to the leading trading nations of the world. The bill was passed, and on Christmas, 1902, received the signature of the Emperor.

Germany was now prepared to introduce its programme of reciprocity to the world. It spent two years in negotiations with the nations of Europe and other continents, and by February 22d, had concluded reciprocal treaties with all countries except the United States, with which it conducts important trade. America, still regarding reciprocity as a mere schoolman's theory, notwithstanding that the richest continent in the world had adopted it as the latter-day law of international traffic, declined to take advantage of an opportunity that meant continued peace and commercial expansion.

Among all the world's leaders, the American politician alone is failing to take advantage of the world's advance. Even the Dowager Empress of China, exasperated at her belated progress, in her flight from the allied armies, jumped from her palanquin to a motor car. This leap of many centuries is typical of the intense prog-

ress of modern times. To-day that empress talks through telephones from her dragon throne to the chambers of her councilors.

China has 4,000 students abroad. We send out an occasional expert, ignore everything he reports, and imagine that we are becoming the traffic managers of the earth. When we are invited to reciprocal trade by prosperous Europe, we draw back in dread of an imaginary trade invasion on the part of Old World nations. The folly of waiting until these international issues are thrust upon us, producing great possible depression, and calling for sudden legislation, always disastrous to a nation, is great. The spectacle of prosperous America misled by our little alarmists, almost passes understanding. Fortunately, even they, impelled by a narrow patriotism, which is, in reality, a drawback to the nation, cannot permanently retard the ascendency of this land. The farmers of America are so prosperous with their $6,000,000,000 harvests that the estimated loss of $300,000,000, caused by predaceous insects every year, is too trifling to be the basis of complaint. All Germany is beginning to be alarmed over its

war expenses in times of peace. The total sum expended in a year for the army and navy of that empire is more than $50,000,000 less than the estimated cost of the banquet enjoyed every season by the weevil, the grasshopper, and the Hessian fly during the harvest festival of America.

Always in a consideration of the cost of American aloofness from the modern economic realignment of nations, we come, if we wish to be candid, not to the losses sustained in an ensuing decline of trade, in destructive reprisals, and the multiplying items in the military budget, but to the vast, the unmeasurable losses, when business fear prepares the way for an industrial Reign of Terror.

Let us keep in mind that the combined commercial genius of America could not when a South American republic defaulted on its national debt, stay the panic that toppled the price of farm products on this continent, closed the doors of our factories, and turned a nation out to starve in a land of plenty.

Except here and there, the professional statesman has learned no political economy from that

lesson, but in the meantime, railways and steamship lines and countingrooms have been joining the nations with their network of interrelated interests. They have been preserving peace and promoting the prosperity of all people, for the greater the world's industrial output, the bigger the trains and the tonnage, and the more clerks needed to count the dividends. In the last ten years the banking power of the world increased from $31,000,000,000 to $34,000,000,000. Instead of converting this vast increase to the industries that political wars might destroy, the financiers have hoarded it against the evil day of panic. It is possible that when the bellicose nations get ready to fight, the men to whom they apply for the millions that any great war would have to waste in a day, will refuse to open the vaults. Unless some great American possessing the confidence of our people counteracts the retrogressive policy of clinging to a political system which all other nations have outgrown, and leads this country to a sane conception of the New Internationalism, an inflamed belligerence may force the financiers against their will to furnish money for conflict

with foreign powers. Happily, however, the money kings have established their strongholds in all the ends of the earth, and are interested in the very lands against which the politicians would declare tariff wars or even resort to military combat. Thus, while the financial geniuses against the aroused passion of a people politically misled cannot give an absolute guarantee against war, it is safe to predict that henceforth they will make such conflicts brief. Peace and goodwill toward men has become the creed of the world's dominant rulers, because that policy pays. The New Internationalism, financial, industrial, and commercial, is merging all islands into the fortunate group, and converting the continents into Edens. The idealists in all lands, while not creating this movement, are one with its spirit. A circular handed me by the "Società Internazionale per la Pace" in Milan opened with the statement:

"Nations will have peace when they desire it."

The whole document, prepared by an Italian enthusiast, voiced the highest conception of international brotherhood. The historian, when he traces the forces that led to practical realiza-

tion of the dreams of the humanitarian, will be called upon to pen one of the most dramatic and seemingly contradictory chapters of economic evolution, for he will be compelled to admit that the latter-day world magnates denounced as international pirates, turned constructive, and gave stability to a world divided by political anarchy. Instead of urging races to conflict, combination is their battle-cry. Their ultimatums are protocols of peace. The forces they control are not stopped by tariff walls. They have organized a world-unity greater even than the sovereignty of nations. Every year they increase their mortgage on the nations that war, and extend the boundaries of the Arcady of Mammon.

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THE END

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